

FEDERAL TRADEMARK DILUTION ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON COURTS, THE INTERNET,
AND INTELLECTUAL PROPERTY

OF THE

COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

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FEDERAL TRADEMARK DILUTION ACT

THURSDAY, FEBRUARY 14, 2002

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, THE INTERNET,
AND INTELLECTUAL PROPERTY,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:10 a.m., in Room 2141, Rayburn House Office Building, Hon. Howard Coble [Chairman of the Subcommittee] presiding.

Mr. COBLE. Good morning, ladies and gentlemen. Welcome to the hearing. Mr. Berman, our Ranking Member, will not be able to be with us today, so I am going to go ahead and start prematurely.

Mr. Kirk, that won't bother you, will it, if we get underway here 2 or 3 minutes early?

Mr. KIRK. No, sir.

Mr. COBLE. The reason I'm doing that is to accommodate you all as well as us, because we're going to have a journal vote, I'm told, at 10 o'clock, so if we can maybe get started here and hopefully get you all out of here before too late.

If I appear to be punchy and groggy, it's because I got to bed about 3:15 this morning, so it's because I'm punchy and groggy. [Laughter.]

But it's good to have you all here.

The Subcommittee will come to order.

We communicate through words and symbols on a daily basis. The trademarks for our favorite whatever product or service, whether it is our favorite automobile, sports team, beverage, and the list goes on and on, immediately makes it known to us and the world.

The foundation of trademark law is that certain words, images, and logos convey meaningful information to the public, including the source, quality, and goodwill of a product or service. Unfortunately, there are those in both commercial and noncommercial settings that would seize upon the popularity of someone's trademark for their own purposes, at the expense of the mark-holder and the public.

During the 104th Congress, the Federal Trademark Dilution Act, popularly known as FTDA, was enacted. It sought to create a degree of national uniformity to the law and certainty regarding the protection of trademarks.

Dilution refers to that conduct that lessens the distinctiveness and value of a mark. It includes several types of conduct, what is known as tarnishment and blurring, which may have devastating

effects for everyone involved but, most alarmingly, on consumers and the public.

Now, more than 5 years after its enactment, it is appropriate for our Subcommittee, it seems to me, to review the success of the FTDA and whether any amendments are needed.

We are fortunate to be joined by a talented panel today whose expertise in trademark law ranges from litigation to corporate counsel to those regularly engaged with us concerning public policy.

In my view, I'm most interested in learning whether the courts are properly interpreting the FTDA, according to our congressional intent, and why there appears a split developing among the Federal circuit courts of appeal.

[The prepared statement of Mr. Coble follows:]

PREPARED STATEMENT OF THE HONORABLE HOWARD COBLE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH CAROLINA

Good Morning. The Subcommittee will come to order.

We communicate through words and symbols on a daily basis. The trademarks for our favorite—*fill in the blank yourself*—product or service, whether it is our favorite automobile, sports team, beverage, and the list goes on, immediately makes it known to us and the world. The foundation of trademark law is that certain words, images, and logos convey meaningful information to the public including the source, quality, and goodwill of a product or service. Unfortunately, there are those in both commercial and non-commercial settings that would seize upon the popularity of someone's trademark for their own purposes, at the expense of the mark-holder and the public.

During the 104th Congress, the Federal Trademark Dilution Act, or FTDA, was enacted. It sought to create a degree of national uniformity to the law and certainty regarding the protection of trademarks. Dilution refers to that conduct that lessens the distinctiveness and value of a mark. It includes several types of conduct such as what is known as "tarnishment" and "blurring," which may have devastating effects for everyone involved, but most alarmingly, on consumers and the public.

Now, more than five years after its enactment, it is appropriate for our Subcommittee to review the success of the FTDA, and whether any amendments are needed. We are fortunate to be joined by a talented panel whose expertise in trademark law ranges from litigation, to corporate counsel, to those regularly engaged with us concerning public policy. In my view, I am most interested in learning whether the courts are properly interpreting the FTDA according to our congressional intent and why there appears a split developing among the federal circuit courts of appeal.

I now turn to the Ranking Member, Mr. Berman, for his statement.

Mr. COBLE. I see no one has yet joined me. We may be joined by others subsequently.

But let me introduce the panel. And I will apologize to you in advance, because I am confident that that alarm bell will be activated imminently, at which time I will run and vote and then rush back.

The Subcommittee is pleased indeed today to have four distinguished members of the bar as our panel. We're pleased that none of them plan on invoking their fifth amendment rights today. [Laughter.]

That's just a little bit of humor, hopefully to no one's detriment.

Our first witness is Ms. Katherine Barrett Park, trademark counsel for the General Electric Company. She is testifying in her capacity as executive vice president of the International Trademark Association, commonly known as INTA, I-N-T-A.

Ms. Park previously was vice president and senior intellectual property counsel of NBA properties and has worked in private practice.

During her legal career, she has concentrated on trademark and copyright law, with special emphasis on trademark prosecution, enforcement, and licensing.

Ms. Park is a graduate of Brown University and the Columbia University School of Law.

Our second witness is unknown to none of us. Mike Kirk is no stranger to this Subcommittee. Mr. Kirk serves as the executive director of the American Intellectual Property Law Association. Prior to AIPLA, he served as deputy assistant secretary of Commerce and deputy commissioner of patents and trademarks from May 1994 through March 1995.

In 1993, Mr. Kirk also served as the acting association secretary of Commerce and acting commissioner of patents and trademarks.

Mr. Kirk earned his bachelor of science degree in electrical engineering at the Citadel in 1959 and his juris doctorate from the Georgetown University Law Center and his master of public administration in 1969 from Indiana University.

And you know, Mike, as long as I've known you, I did not realize that you held an MPA. Learn something new every day.

Our third witness is Ms. Sherry Jetter, who serves as the vice president of intellectual property of the Polo Ralph Lauren Corporation. She specializes in the areas of trademark law, licensing, and commercial transactions, and has represented the fashion industry's leading designer brands for more than 12 years.

Prior to joining Polo Ralph Lauren, Ms. Jetter was with Donna Karan International Incorporated. After an 8-year tenure there, Ms. Jetter co-founded and served as executive vice president and general counsel for Fashion500.com Inc., and e-commerce Web site selling designer and luxury brand merchandise.

Ms. Jetter is a *cum laude* graduate of Bernard College of Columbia University and received her JD degree from the Brooklyn Law School, where she was the executive comments editor of the Brooklyn Journal of International Law. She has published on a variety of fields of law.

She began her career as an assistant district attorney in Kings County, New York, which is also commonly known as Brooklyn.

Our fourth witness is Mr. Ethan Horwitz, a partner of the law firm of Darby and Darby. He has extensive experience in all phases of patent, trademark, and copyright litigation, including trade dress and false advertising litigation.

He has first-hand knowledge of the dilution issue, since he litigated the *Nabisco v. Pepperidge Farm* case, which will be described and discussed more fully today.

Mr. Horwitz is a graduate of the Polytechnic Institute of Brooklyn with a degree in mathematics, then went on to receive his master's degree in applied mathematics from the Courant Institute at New York University. He earned his juris doctorate from St. John's University subsequent to that.

Mr. Horwitz is the author and editor of several IP treatises, a frequent lecturer on these issues, and an adjunct member of the Fordham law faculty. He is also active in several professional associations.

Now, for those of you who have never before been with us, I apologize if the introductions appeared to be unduly lengthy. But

I think, for the benefit of the uniformed, it's good to know the impressive background of the witnesses who appear before us. And for that reason, I did go into some detail.

Now, with your permission, I think it might be, probably, more orderly for me to go ahead and bolt, and you all stand easy. And I will return imminently.

[Recess.]

Mr. COBLE. Folks, I apologize for that interruption, but that's the nature of the beast around here.

Ms. Park, why don't we start with you? And we'll work our way from my right to my left.

And if you will, folks, if you can confine your statement to within the 5-minute rule, we will be appreciative. And will know when that time appears when the red light illuminates in front of you.

And we will start with you, Ms. Park.

STATEMENT OF KATHRYN BARRETT PARK, EXECUTIVE VICE PRESIDENT, INTERNATIONAL TRADEMARK ASSOCIATION

Ms. BARRETT PARK. Good morning, Mr. Chairman. On behalf of the over 4,000 members of the International Trademark Association, I want to thank you for holding this oversight hearing on trademark dilution.

The issue before the Subcommittee today is this: Should the owner of a famous trademark be required to wait until it can demonstrate that the economic value of its mark is destroyed before receiving injunctive relief from a court?

INTA believes that the answer to this question is no.

We find support for this—

Mr. COBLE. Ms. Park, pull that mike a little closer to you, if you will. That's good.

Ms. BARRETT PARK. Okay.

Mr. COBLE. Thank you.

Ms. BARRETT PARK. We find support for this position not only in the historical record of the dilution concept, but perhaps more importantly in the fact that Congress selected injunctive relief as the principle remedy in dilution cases, evidence that Congress wanted to prevent loss of a famous mark's economic value.

Notwithstanding this evidence, there has developed an inconsistency in the Federal circuit courts of appeal over whether a plaintiff in a dilution case must prove the actual loss of its famous trademark's value or, alternatively, the likelihood of such loss, before a court may grant relief.

To explain why INTA believes that the likelihood of dilution is the proper standard and why this was the intent of Congress when it adopted the dilution act, I'd like to review with you how dilution has been described in like-minded fashion by commentators, judges, and legislators.

In his 1927 Harvard Law Review article, Frank Schechter described dilution as a whittling away of a famous trademark's reputation to the point that its identify is lost forever. In 1972, the Southern District of New York characterized trademark dilution as an infection, which, if allowed to spread, will inevitably destroy the advertising value of the mark. And in 1995, when addressing the Senate in favor of passage of the dilution act, Senator Orrin Hatch

talked about the need to stop subsequent uses of a famous mark by a junior user, specifically uses that blur the distinctiveness of the famous mark.

Whether it is to prevent the whittling away of a famous mark's selling power or to quarantine an infection before it spreads or to stop subsequent uses that blur the distinctiveness of a famous mark, the idea is the same. Dilution is often a slow and not so easily measured process that, if not halted in its incipiency, will damage beyond repair the reputation of the mark and all the important qualities—such as safety, quality, and reliability—that are associated with that mark by consumers.

With the adoption of the dilution act in 1995, Congress sought to protect the special position of this country's famous marks as exemplary symbols of its creativity and promise for economic prosperity. Indeed, throughout the legislative history of the dilution act, the measure is referred to as a protective measure, something that is meant to prevent harm before it occurs.

For this reason, Congress specified that injunctive relief would be the primary remedy afforded in dilution cases.

An injunction is a famous trademark owner's most potent weapon to stop the infection that is dilution. It allows for the preservation of the distinctive character and singularity of the famous trademark and permits the mark owner to ensure that damage to the reputation of the mark is halted before the mark is destroyed.

In selecting injunctive relief, Congress indeed evidenced its desire to permit the owner of a famous mark to prevent dilution before the occurrence of such damage. Another way to put it: What is the point of having injunction as the principle remedy at the court's disposal if the court has to wait before the famous mark has lost its uniqueness and singularity before it grants relief?

Unfortunately, this well-founded, historical and legal interpretation is not universal. Despite evidence to the contrary, two circuit courts of appeals have interpreted the phrase "causes dilution" in section 43(c) of the Lanham Act to mean that the plaintiff must first establish actual harm in order to prevail in a dilution claim, requiring that there be a showing that the challenged mark has actually lessened the senior user's selling power and has caused related economic harm to the value of its mark.

The rest of the courts that have addressed the dilution standard have ruled that plaintiff may be granted relief upon a showing that there is a likelihood of dilution. These courts have rejected an actual economic harm requirement, finding that the injunctive remedies selected by Congress would be meaningless in dilution cases if the owner of the famous mark had to suffer permanent harm before it could bring an action.

Having inconsistent standards from circuit to circuit makes it much more difficult for a famous mark owner to conduct business nationwide. It also leads to forum shopping, something this Subcommittee sought to prevent when it drafted the dilution act.

To correct this inconsistency and clarify Congress's original intent, INTA recommends that the Lanham Act be amended to explicitly state that the likelihood of dilution is the proper standard.

This concludes my opening statement. Thank you again, Mr. Chairman, for the opportunity to present INTA's views on the

present need to clarify Congress's original intent that likelihood be the proper standard for trademark dilution.

We look forward to working with this Subcommittee and its staff in crafting legislation toward that end.

[The prepared statement of Ms. Barrett Park follows:]

PREPARED STATEMENT OF KATHRYN BARRETT PARK

INTRODUCTION

Good morning, Mr. Chairman. My name is Kathryn Barrett Park, and I currently serve as the executive vice president of the International Trademark Association ("INTA"). I am employed by INTA member General Electric as trademark counsel. As do all INTA officers, board members and committee members, I serve on a voluntary basis.

INTA supports and encourages legislative action to amend the Trademark Act of 1946 (Lanham Act)¹ to address the proper standard for injunctive relief under the Federal Trademark Dilution Act of 1995 (FTDA).² INTA believes that the owner of a famous trademark should be required to show a "likelihood of dilution" for an injunction to issue and that this was the intent of Congress when it adopted the FTDA. As the legislative history of the FTDA notes:

Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark."³

The FTDA was designed by Congress to maintain the vitality of famous trademarks. The dilution statute is meant to quarantine the dilution "infection" before it takes hold, rather than require a plaintiff to wait until the "potency" or economic value of the famous mark has been "debilitated," thereby damaging forever the effectiveness and reputation of the mark. It was for this reason that Congress specified that injunctive relief would be the primary remedy in dilution cases. An injunction permits the owner of a famous mark to stop the erosion of the value of the mark, harm for which later monetary relief would be inadequate.

However, at present, due to a difference in interpretation among circuit courts over the meaning of the dilution statute, there is confusion as to what is the proper standard for injunctive relief: "actual dilution," that is, the current debilitation of the economic value of the famous mark or, alternatively, the "likelihood of dilution," referring to the future loss of economic value of the famous mark if the injunction is not granted. To clarify Congress' original intent and ensure the preservation of the effectiveness and reputation of famous trademarks, INTA believes that legislation should be adopted that explicitly states that "likelihood of dilution" is the proper standard.

INTA is a 123-year-old not-for-profit organization comprised of over 4,000 member companies and firms. It is the largest organization in the world dedicated solely to the interests of trademark owners. The membership of INTA, which crosses all industry lines and includes both manufacturers and retailers, values the essential role that trademarks play in promoting effective commerce, protecting the interests of consumers, and encouraging free and fair competition. Since the adoption of the Lanham Act almost 56 years ago, INTA has consistently worked with the Congress in updating the Act to meet the changing economic and legal landscapes.

DILUTION OF FAMOUS TRADEMARKS

The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is the likelihood of confusion, deception, or mistake. Rather, dilution comes into play when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular.

There are two types of dilution: blurring and tarnishment. Blurring occurs when consumers "see the plaintiff's mark used by other persons to identify other sources," so that the "unique and distinctive significance of the mark to identify and distin-

¹ 15 U.S.C. § 1051, et seq.

² Pub. L. No. 104-98, 109 Stat. 505 (1995).

³ H.R. Rep. No. 104-374, 104th Congress (1995) (citing *Mortellito v. Nina of Cal., Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

guish one source may be diluted and weakened.”⁴ Examples of blurring would include such fictional examples as BUICK aspirin tablets and KODAK pianos.⁵ Tarnishment arises when a famous trademark is linked to products of inferior quality, or is portrayed in an immoral or reprehensible context likely to evoke negative beliefs about the mark’s owner. An example of the tarnishment might be GARBAGE PAIL KIDS cards, where the cards “derisively depict dolls with features with features similar to Cabbage Patch Kids dolls in rude, violent and frequently noxious settings.”⁶

THE FEDERAL TRADEMARK DILUTION ACT OF 1995

Congress passed the FTDA with the goal of creating a uniform anti-dilution law. Prior to the enactment of the FTDA, the issue of trademark dilution was left to the state courts. There was no federal statute by which famous trademarks could be protected against blurring and tarnishment. Judicial decisions involving dilution were “inconsistent, the reasoning often illogical.”⁷ In short, there was a “trademark vacuum.”⁸

The matter of a statutory trademark dilution provision was addressed in the 104th Congress. After a hearing before this subcommittee in which there were several witnesses testifying in support of the dilution amendment and unanimous adoption of the bill by both houses of Congress, the FTDA was signed into law on January 16, 1996. Adoption of the FTDA also brought the U.S. in line with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which includes a provision designed to provide dilution protection to well-known marks.⁹

Now in effect for over six years, the FTDA sets out criteria that a court may consider in determining whether a mark is famous.¹⁰ The FTDA further provides that “the owner of a famous mark shall be entitled . . . to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.”¹¹

INJUNCTIVE RELIEF: CONGRESS’ INTENT TO STOP DILUTION BEFORE IT TAKES HOLD

Protection against dilution of a famous trademark is an incipency concept that does not require the mark owner to wait until provable damage has occurred before asking the court for relief.¹² The goal is to recognize the danger posed to famous marks by what Senator Orrin Hatch referred to upon his introduction of the FTDA as “*subsequent uses* [of the junior user’s mark] that blur the distinctiveness of the [famous] mark or tarnish or disparage it.”¹³ Upon recognizing the danger posed by the “subsequent uses,” the next step is to take action that would protect against the mark losing its “arresting uniqueness.”¹⁴ As Congress recognized, the right tool for the job is an injunction.

Injunctions are tailor-made for disputes involving trademark dilution. An injunction is a protective remedy that will prevent continuing or threatened harm.¹⁵ For this reason, an injunction is a famous trademark owner’s most potent weapon to stop the “infection” that is dilution. The injunction stops the harm that if allowed to continue would lead to permanent injury of the famous trademark through either blurring or tarnishment. Injunctive relief preserves the distinctive character of the famous trademark and allows the mark owner to ensure that damage to the reputa-

⁴ J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §24:94, at 24-120 (4th ed. 2001).

⁵ See *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.* 875 F.2d 1026, 1031 (2d Cir. 1989).

⁶ *Original Appalachian Artworks, Inc. v. Topps Chewing Gum*, 642 F.Supp.1031 (N.D. Ga. 1986).

⁷ United States Trademark Ass’n, *The Trademark Law Revision Act of 1988*, at 94 (1989).

⁸ USTA, *supra* note 5 at 94.

⁹ H.R. Rep. No. 104-374, *supra* note 3.

¹⁰ 15 U.S.C. § 1125(c)(1).

¹¹ *Id.*

¹² See Jerre B. Swann, Sr., *Dilution Redefined for the Year 2000*, 37 *Houston Law Rev.* 729, 765-766 (2000), reprinted in 90 *Trademark Rep.* 823, 858-860.

¹³ 141 Cong. Rec. S19310-11 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch) (emphasis added); see also 4 McCarthy, *supra* note 4, §24:74, at 24-133 (“The traditional remedy against dilution is an injunction against the offending usage.”).

¹⁴ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 *Harv. L. Rev.* 813 (1927), as reprinted in 60 *Trademark Rep.* 334, 345.

¹⁵ See *Black’s Law Dictionary* 784 (6th ed.).

tion of the mark is brought to a halt before the mark's potency and effectiveness are gone forever.

The selection of injunctive relief by Congress as the principal means by which a court may grant relief to a famous trademark owner who alleges that another party has diluted its mark is convincing evidence that Congress meant that the standard for trademark dilution is the "likelihood" standard.¹⁶ The legislative history of the FTDA repeatedly refers to the dilution amendment as a device meant to "protect" against harm to the famous mark caused by "subsequent" or "future acts," precisely what injunctions are supposed to do.¹⁷ Imposing an "actual dilution" standard requires famous trademark owners to suffer irreparable, crippling harm to the economic value of the mark before the court will grant injunctive relief. Once the economic harm or dilution has occurred, the damage that has taken place with respect to a famous trademark cannot be restored. As noted by courts in two recent dilution cases:

By the time plaintiffs were permitted to file suit, . . . junior mark holders might have the defense that the senior mark had lost its distinctiveness due to the numerous other marks that had copied it. Senior mark holders would also be open to the argument that they had failed actively to protect their marks.¹⁸

The remedy of injunctive relief at the point at which actual economic harm due to dilution had already occurred would be ineffective. The "communicative clarity" of the mark has been lost.¹⁹ INTA believes such a scenario to be contrary to the original purpose behind the adoption of statutory protections against dilution.

THE NEED FOR CLARIFICATION

Despite Congress' original intent as evidenced by the selection of injunctive relief as the principal remedy, some circuit courts have interpreted the phrase "causes dilution" in the statute to mean that a plaintiff must establish actual harm in order to prevail in a dilution claim under the FTDA.²⁰ These courts have found that the "causes dilution" language requires a showing that a challenged mark has actually lessened the senior mark's selling power and has caused concomitant economic harm to its value.²¹

Other circuit courts have granted the plaintiff relief upon a showing that there is a *likelihood* that the plaintiff's mark will be diluted.²² These courts have rejected an actual economic harm requirement. They have found that the intent of Congress in adopting the FTDA was to afford plaintiffs a remedy before dilution has caused actual harm to the senior mark and that to require plaintiffs to prove actual economic harm would "make bringing a successful claim under the FTDA unreasonably difficult."²³ Some courts have gone so far as to say that an "actual dilution" standard would hold the plaintiff to an impossible level of proof.²⁴

Inconsistent standards from circuit to circuit make it much more difficult for a famous mark owner to conduct business nationwide. It also leads to forum-shopping,

¹⁶Supra note 10 ("[T]he owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.") (emphasis added).

¹⁷See, e.g., H.R. Rep. No. 104-374, supra note 3 ("The purpose of H.R. 1295 is to *protect* famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it." (emphasis added)); see also id. ("H.R. 1295 would . . . create a federal cause of action to *protect* famous marks" from having their distinctive quality diluted. (emphasis added)).

¹⁸Eli Lilly & Co. v. Natural Answers Inc., 233 F.3d 456, 467-68 (7th Cir. 2000) (citing Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999)).

¹⁹Swann, supra note 11 at 768, 90 Trademark Rep. at 860.

²⁰Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir. 1999); Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 670 (5th Cir. 2000).

²¹Ringling Bros., 170 F.3d at 458.

²²I.P. Lund Trading ApS, Inc. v. Kohler Co., 163 F.3d 27, 49 (1st Cir. 1998); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999); Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.2d 157, 168-69 (3d Cir. 2000); V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464 (6th Cir. 2001), *petition for certiorari filed* (January 2, 2002); Eli Lilly & Co. v. Natural Answers Inc., 233 F.3d 456, 467-68 (7th Cir. 2000); Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873-74 (9th Cir. 1999).

²³V Secret, 249 F.3d at 476.

²⁴Eli Lilly, 189 F.3d at 468.

something this subcommittee sought to prevent when it drafted the FTDA.²⁵ To correct this inconsistency and clarify Congress' original intent, INTA recommends that amendments be incorporated into the Lanham Act that explicitly state that "likelihood of dilution" is the proper standard.

CONCLUSION

Thank you, again, Mr. Chairman, for the opportunity to present INTA's views on the present need to clarify Congress' original intent that "likelihood" be the proper standard for trademark dilution. We look forward to working with this subcommittee and its staff in crafting legislation toward that end. In moving forward with legislation, Congress will be taking an important and affirmative step towards preserving special symbols of creativity from irreparable harm.

Mr. COBLE. Thank you, Ms. Park.
Mr. Kirk?

STATEMENT OF MICHAEL K. KIRK, EXECUTIVE DIRECTOR, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

Mr. KIRK. I am pleased to have the opportunity to present the views of AIPLA on the FTDA.

As Ms. Barrett Park noted, some courts have premised relief upon a showing of likelihood of confusion while others require proof of actual consummated injury.

AIPLA supports enactment of a likelihood of dilution standard.

Approximately one-half of the States have enacted anti-dilution laws. For the most part, they provide relief for likelihood of dilution of the distinctive quality of a mark.

You noted, Mr. Chairman, in your comments, that Congress passed the FTDA to protect famous marks against dilution on a nationwide basis in 1995 to bring uniformity and consistency to the protection of famous marks.

In one of the early cases to interpret phrase "causes dilution" in section 43(a) of the Lanham Act, the Fourth Circuit ruled in *Ringling Brothers* that this phrase required proof of actual harm. The court found support for the actual harm standard in the legislative history of the FTDA. It also noted the statute did not expressly incorporate the likelihood of dilution standard found in State law.

While acknowledging that proof of actual consummated injury will be difficult, the court indicated that means of proof, including the use of consumer surveys were available.

The Fourth Circuit's actual harm standard was later adopted by the Fifth Circuit. Other courts of appeal, as Ms. Barrett Park pointed out, have adopted a likelihood of dilution standard for relief under the FTDA.

The Second Circuit in the *Nabisco* case expressly rejected the Fourth Circuit's actual harm test, concluding that it depends on excessive literalism to defeat the intent of the statute. The court reasoned that if the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior user diluted the distinctiveness of the senior mark.

Even if diminished revenues could be shown, it would extraordinarily speculative and difficult to prove that the loss was due to

²⁵ See H.R. Rep. No. 104-374, supra note 3, at 4 ("Protection for famous marks should not depend on whether the forum where the suit is filed has a dilution statute. This simply encourages forum-shopping and increases the amount of litigation.").

the dilution of the mark. As to consumer surveys, they are expensive, time-consuming, and not immune to manipulation.

The Sixth and Seventh Circuits have followed the Second.

AIPLA believes the “likely to cause dilution” test is appropriate and the sounder policy. It most closely comports with the goals of the FTDA, as Ms. Barrett Park pointed out. The House report repeats with approval the statement in the *Mortellito* case that, “Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.” This clearly indicates that it was intended to have a remedy before dilution actually caused economic harm to the senior mark.

Congress further evidenced its intention that “likelihood of dilution” be the standard for relief when it adopted dilution as a ground for refusing and canceling registrations in the Trademark Amendments Act of 1999.

As pointed out in the House report of that legislation, resolution of the dilution issue before the board, as opposed to a Federal district court, would result in more timely, economical, and expeditious decisions. It would provide certainty to competing trademark interests before the applicant has invested significant resources in a proposed mark and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark.

Since applications subject to this remedy include those filed on the basis of intent-to-use—that is, before an applicant has even begun using the challenged mark—the standard in such cases could not possibly be proof of actual harm. Clearly, Congress could not intend that the owners of famous marks suffer actual dilution of their marks before bringing an action in a Federal district court to enjoin the use of the offending marks when the same owners could have prevented such registration of offending marks before they were even used. It’s totally inconsistent.

We again commend you, Mr. Chairman, for your continuing leadership. We look forward to working with you, your staff, and the other Members of the Subcommittee. Thank you.

[The prepared statement of Mr. Kirk follows:]

PREPARED STATEMENT OF MICHAEL K. KIRK

Mr. Chairman:

I am pleased to have the opportunity to present the views of the American Intellectual Property Law Association (AIPLA) on the need to amend the trademark law to eliminate the conflicts which have arisen in the interpretation of the Federal Trademark Dilution Act of 1995.

The AIPLA is a national bar association of more than 13,000 members engaged in private and corporate practice, in government service, and in the academic community. The AIPLA represents a wide and diverse spectrum of individuals, companies and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property.

SUMMARY

The AIPLA believes that the Trademark Act of 1946 (Lanham Act) should be amended to clarify the standard for proving dilution of a “famous” mark. The federal courts of appeals have issued conflicting decisions on this issue. Some courts premise relief upon a showing of a “likelihood of dilution,” while other courts require proof of actual, consummated injury. The AIPLA supports enactment of a likelihood of dilution standard. In our view, such a standard is more consistent with the policy

objectives of dilution law and more accurately reflects the intent of Congress when it enacted the “Federal Trademark Dilution Act of 1995.”

BACKGROUND

The concept of dilution may be traced back to the 1927 seminal article by Frank I. Schechter entitled “The Rational Basis of Trademark Protection,” 40 *Harvard Law Review* 813. According to Schechter, dilution is designed to protect against “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.” (emphasis added)

Approximately one-half of the states have enacted dilution laws. For the most part, these state laws are patterned after the Model State Trademark Bill, which provided relief for the “likelihood of injury” to business reputation or for dilution of the distinctive quality of a mark. Recognizing that famous marks, ordinarily, are used on a nationwide basis and that judicial decisions interpreting and applying state dilution laws were inconsistent, this Subcommittee, under the leadership of then Chairman Carlos Morehead, crafted federal legislation to protect famous marks against dilution. This legislation, the “Federal Trademark Dilution Act of 1995” was passed by Congress and codified in Section 43(c) of the Lanham Act. As noted in the Report of the Committee on the Judiciary (Rpt. 104-374), “the federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks. . . .”

Section 43(c) provides, in part, that the owner of a famous mark is entitled to relief against another person’s commercial use in commerce of a mark, “if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.” In response to a decision of the Trademark Trial and Appeal Board refusing to permit the opposition to a mark on the basis that it would cause dilution, Congress further amended the Lanham Act in 1999 to provide that a mark which when used would cause dilution under section 43(c) may be refused registration and that a registration for such a mark may be cancelled (*Babson Bros. v. Surge Power Corp.*, 39 USPQ2d 1953 (TTAB 1996)).

CONFLICT AMONG THE CIRCUIT COURTS OF APPEALS

In *Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999), the U.S. Court of Appeals for the Fourth Circuit interpreted the phrase “causes dilution” in Section 43(c) of the Lanham Act to require proof of actual harm in order to be entitled to relief. While conceding that such a standard “does not leap fully and immediately from the statutory text,” the court found support for the “actual harm” standard in the legislative history surrounding passage of the “Federal Trademark Dilution Act.” The court emphasized that while state dilution statutes required proof of a “likelihood of dilution,” the federal dilution statute does not expressly incorporate this standard. The court acknowledged that proof of actual, consummated injury will be difficult but indicated that means of proof, including proof of actual loss of revenue and consumer surveys, are available. The Fourth Circuit’s actual harm standard was later adopted by the Fifth Circuit in *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000). The Fifth Circuit refused to depart from what it believed to be the plain meaning of the statute.

Other courts of appeals, however, have adopted a “likelihood of dilution” standard for relief under the federal dilution statute. In *I.P. Lund Trading ApS, Inc. v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998), the U.S. Court of Appeals for the First Circuit found that proof of actual harm was not necessary because “demand for one product is almost always lessened when a competing product achieves a measurable degree of success.”

In *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), the U.S. Court of Appeals for the Second Circuit expressly rejected the Fourth Circuit’s actual harm test, concluding that it “depends on excessive literalism to defeat the intent of the statute.” It reasoned:

“If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. And as to consumer surveys, they are expensive, time-consuming and not immune to manipulation.”

The Seventh Circuit, in *Eli Lilly & Co. v. Natural Answers Inc.*, 233 F.3d 456 (7th Cir. 2000), also rejected the actual harm test. According to the Seventh Circuit, the

Fourth Circuit's interpretation of the statute holds the owners of famous marks to an "impossible" level of proof. "It is hard to believe that Congress would create a right of action but at the same time render proof of the plaintiff's case all but impossible."

Finally, the U.S. Court of Appeals for the Sixth Circuit, in *V Secret Catalogue Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), (Petition for cert. filed January 2, 2002) concluded that the "the Nabisco test both tracks the language of the statute and follows more closely Congress' intent in adopting the FTDA."

PROPOSED LEGISLATION

The draft bill of February 7, 2002, which you have circulated, Mr. Chairman, would amend Section 43(c) of the Lanham Act to make it clear that "likely to cause" dilution is the standard for the award of relief under the federal dilution statute. Corresponding changes would be made elsewhere in the statute. As a technical matter, we note that this draft bill would amend section 2(f) of the Lanham Act. This reference should rather be to amending the last two sentences of section 2 of the Lanham Act (see SEC. 2(a), Public Law No. 106-43).

The AIPLA believes that the likelihood of dilution test is appropriate because it most closely comports with the goals of the Federal Trademark Dilution Act and is consistent with the Act's legislative history. The relevant legislative history indicates that a requirement of proof of likelihood of dilution advances the fundamental purpose of the federal dilution statute in protecting famous marks. As the Report of the Committee on the Judiciary notes, dilution is "an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No 104-374 (1995), reprinted in 1996 U.S.C.C.A.N. 1029, 1032.

As noted by the Sixth Circuit in the *Moseley* case, this passage is important in two respects. First it evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim is a property right in the "potency" of a mark. Second, the passage's latter half—"confusion leads to immediate injury, while dilution is an infection, *which if allowed to spread*, will inevitably destroy the advertising value of the mark"—evinces an intent to allow a remedy *before* dilution has actually caused economic harm to the senior mark.

We submit, Mr. Chairman, that Congress, in enacting the federal dilution statute, did not intend to alter the "likelihood of dilution" standard of proof required to establish relief, as set forth in the state statutes.

Under the actual dilution standard of the Fourth and Fifth Circuits, a famous mark owner must wait until *after* harm is incurred before seeking judicial remedy. This requirement of actual harm unduly prejudices the mark owner. Once a famous mark has actually been diluted, the harm is irreparable; the "whittling away" of the mark's distinctiveness has taken place and cannot be restored. Moreover, as the Seventh Circuit observed in the *Eli Lilly* case, if an actual dilution standard were to be followed, by the time the senior mark holder would be permitted to file suit, junior mark holders might have the defense that the senior mark had lost its distinctiveness due to the numerous other marks that have copied it. Moreover, an actual harm standard would also prejudice junior users to the extent they would be unable to seek declaratory relief prior to investing in new products and services. To quote the *Eli Lilly* court, "Congress could not have intended these unjust and inefficient results."

Additionally, the burden of proving actual harm is unreasonable. Suggestions that actual harm may be shown through consumer surveys, or through loss of profits have been sharply criticized as untenable and impossible to prove. The Fourth Circuit itself admitted that consumer surveys are unwieldy at best. With respect to lost profits, if the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior.

Congress further evidenced its intention that the "likelihood of dilution" standard be the basis for relief when it amended the Lanham Act to add dilution as a ground for refusing and canceling registrations. It correctly noted that "Resolution of the dilution issue before the Board, as opposed to Federal District Court, would result in more timely, economical, and expeditious decisions. Resolving the issue at the Board would provide certainty to competing trademark interests, before the applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous

mark.” (Report No. 106–250) Since applications subject to this remedy include those filed on the basis of intent-to-use, i.e., before an applicant has even begun using the challenged mark (see *The Toro Company v. Torohead*, 61 USPQ2d 1164 (TTAB 2001), the standard in such cases could not possibly be actual dilution. Clearly Congress could not intend that the owners of famous marks suffer actual dilution of their marks before bringing an action to enjoin the use of offending marks when the same owners could have prevented the registration of such offending marks before they are even used.

We, again, commend you, Mr. Chairman, for your continuing leadership in striving to improve our intellectual property system. The AIPLA looks forward to working with you, the other Members of the Subcommittee, and your able staff to support you in any way we can.

Mr. COBLE. Thank you, Mr. Kirk.

Ms. Jetter, you and Mr. Horwitz have been put to the test because these two finished within their 5 minutes. [Laughter.]

You will not be severely punished if you don’t, but thank you all for your timeliness.

Let me welcome the gentlelady from Pennsylvania, Ms. Hart.

Good to have you with us, Ms. Hart.

And now, Ms. Jetter, we’re pleased to hear from you.

STATEMENT OF SHERRY L. JETTER, VICE PRESIDENT, INTELLECTUAL PROPERTY, POLO RALPH LAUREN CORPORATION

Ms. JETTER. Good morning, Mr. Chairman.

On behalf of the Polo Ralph Lauren Corporation, I am pleased to appear before you today to discuss the critical importance—

Mr. COBLE. Ms. Jetter, if get a closer—some of the folks in the back of the room may not be able to hear you.

Ms. JETTER. Sure.

I am pleased to appear before you today to discuss the critical importance of a trademark owner’s ability to protect its famous brand names under the Federal Trademark Dilution Act of 1995.

I would also like to take this opportunity to express Polo Ralph Lauren’s support for legislation establishing that likelihood of dilution is the proper standard for finding dilution under the FTDA.

Polo Ralph Lauren is precisely the type of company that the FTDA was intended to protect. We are a leader in design, marketing, and distribution of premium lifestyle products. Our brands, which include Polo, Polo by Ralph Lauren, Ralph Lauren, Polo Sport, Polo Jeans Co., and others associated with apparel of nearly every kind, accessories, fragrance products, and home furnishings. And, at the heart of our brand names is our trademark, Polo.

We at Polo Ralph Lauren like to think of our company as a uniquely American enterprise. Our roots are embedded in building brand equity based upon quality, style, and value. We have achieved a clarity, or, if you will, a trustworthiness, among consumers who purchase our products because of a guaranteed experience.

Under the direction of Mr. Ralph Lauren—our founder, chairman, and chief executive, and an internationally renowned designer—our efforts and ingenuity over three decades have allowed us to differentiate ourselves from others in the marketplace.

Polo Ralph Lauren is a large company today. Our products are sold throughout the United States and the world. In fiscal year 2001, Polo Ralph Lauren had net sales of almost \$4 billion worldwide, every dollar of which is based upon a customer’s purchasing

a product that bears at least one of the Polo Ralph Lauren trademarks.

Brand recognition is at the core of Polo Ralph Lauren success. We have created a distinctive image through our famous Polo brands that has set us apart from others in the marketplace. We are proud of the influence that the Polo brands have had on American lifestyle, and we are committed to maintaining, preserving, and strengthening our famous trademarks and what they import to customers: a promise of quality and excellence.

We consider the Polo brands to be the essence of our company. They are our identity, our face, our worth—in other words, our property.

For Polo Ralph Lauren, and many other American companies, the most valuable piece of property that they own is their good name, or, as we say in the industry, their brand.

Protecting our famous brands is our highest corporate priority, and Polo Ralph Lauren could not have been more grateful for the passage of the FTDA. We saw it as the enactment of a specific and much needed law for the protection of famous trademarks, such as ours.

Unfortunately, our fame has bred a strain of deliberate attempts by third parties to misappropriate the public acceptance that we have achieved and to benefit from our good name, diluting our famous brands in the process.

For example, in 1998, at our request, a Federal court in Houston, Texas, enjoined the use of our name and trademark on a business called the Polo Club, which the court referred to as an adult entertainment business. It was, in fact, what is commonly known as a house of ill repute.

Polo Ralph Lauren sought and was granted this relief under the FTDA. You should note, however, that this decision came prior to the establishment in the Fifth Circuit of the actual dilution standard.

In other cases, parties have diluted the Polo brands by putting them on massage parlors, limousine services, and cleaners.

I would like to reiterate that Polo Ralph Lauren greatly appreciates the protection afforded by the FTDA. Unfortunately, that protection has not always been sufficient.

That was our experience in 1997, when a company bought a specialty publication dedicated to the equestrian sport of polo, including its trademark, and converted it into a glossy fashion and lifestyle magazine titled “Polo.”

The magazine when from advertising equestrian-related products to putting models and images associated with Polo Ralph Lauren on its cover and its pages.

And I would just like to illustrate, on the easels, that was the first magazine cover. That was their changing of their logo to look like ours. That was their more recent magazine cover. And that is one of our famous advertisements.

These changes were made to deliberately exploit our famous Polo brands and its advertising value, and it resulted in blurring the distinctiveness of our polo mark in the minds of the consumer. That is dilution.

Naturally, we sued under the FTDA, believing that the dilution that our famous brand Polo was exposed to in this case was the precise case that FTDA was intended to remedy. Unfortunately, this was not the result, and we were unable to prevail under the statute.

The district court specifically found that while we would have prevailed under a likelihood of dilution standard, we failed to satisfy more stringent actual dilution standard, and we were ultimately denied relief under the FTDA.

It is for this reason, Mr. Chairman, that I come before you today on behalf of Polo Ralph Lauren to support an amendment to the Lanham Act. Polo Ralph Lauren believes that it is our responsibility to share what we have experienced and to ask the question: Why must a famous brand be irreparably harmed before it can receive relief under the FTDA?

We want to ensure that what happened to Polo Ralph Lauren in the cases I have described does not happen to other across the country.

I will close by saying that the Polo name is the root of all of our trademarks, and it is the heart of our company. It is, without question, the single most important piece of property owned by Polo Ralph Lauren. When others are afforded an unearned advantage by using the goodwill we have created in the Polo brands and trademarks, we believe it is theft. And when others are allowed to tarnish our good name and public acceptance that we have cultivated and nurtured, we believe it is vandalism.

For this reason, this amendment to the FTDA is necessary for the protection of our property and the property of other famous brand owners.

Thank you again, Mr. Chairman, for the opportunity to explain the importance of the Polo name to our company and our view that an amendment to the Lanham Act to clarify that likelihood of dilution is the appropriate standard is critically important to all owners of a famous trademark.

Thank you.

[The prepared statement of Ms. Jetter follows:]

PREPARED STATEMENT OF SHERRY L. JETTER, ESQ.

INTRODUCTION

Good morning, Mr. Chairman.

My name is Sherry Jetter, and I am the Vice President responsible for intellectual property matters for the Polo Ralph Lauren Corporation ("Polo Ralph Lauren").

We appreciate the opportunity to appear before the House Subcommittee on Courts, the Internet, and Intellectual Property to discuss the critical importance of the "Polo" family of trademarks and brands which have come to define Polo Ralph Lauren over a period of nearly 35 years.

I also want to take this opportunity to express our company's strong support for legislation establishing that likelihood of dilution and not actual dilution is the proper standard for finding dilution under the Federal Trademark Dilution Act of 1995 ("FTDA").¹

I want you to know that we at Polo Ralph Lauren like to think of our company as a uniquely American enterprise. Our approach to fashion as lifestyle is American in origin and style. As you may be aware, Polo Ralph Lauren has been inspired by the significance and beauty of our American flag and has interpreted and used it in many of its designs. Indeed, we have built a stylistic association with the flag

¹Pub. L. No. 104-98.

and the American values the flag represents. This is underscored by Polo Ralph Lauren's recent contribution of over \$14 million to the Star-Spangled Banner Preservation Project. That project supports the preservation of the tattered flag that flew over Fort McHenry in 1814 and provided the inspiration for Francis Scott Key as he wrote what has become our national anthem.

Polo Ralph Lauren is proud of its association with American values and believes that no value is more fundamentally American than the simple concept of property. For Polo Ralph Lauren and many other American companies, the most valuable piece of property that they own is their good name, or as we say in our industry, their brand.

I am here today to explain to you how essential the protection of the Polo family of brands and trademarks is to my company.

HISTORY AND VALUE OF THE POLO FAMILY OF BRANDS

For nearly 35 years, Polo Ralph Lauren's reputation and distinctive image have been developed across an expanding number of products, brands and international markets. We are a leader in the design, marketing and distribution of premium lifestyle products. Our brands, which include "Polo," "Polo by Ralph Lauren," "Ralph Lauren," "Polo Sport," "Polo Jeans Co." and others constitute one of the world's most widely recognized families of consumer names. We believe that, under the direction of Ralph Lauren—our founder, Chairman and Chief Executive Officer, and an internationally renowned designer—Polo Ralph Lauren has greatly influenced the manner in which people dress and reflects an American perspective and lifestyle.

Today the Polo name is associated with apparel of nearly every kind, accessories, fragrance products and home furnishings.

Polo Ralph Lauren is a large company today. Our products are sold throughout the United States and the world. In fiscal year 2001, Polo Ralph Lauren had net sales of almost \$4 billion dollars worldwide—every dollar of which is based upon a customer purchasing a product that bears at least one of the Polo family trademarks.

The vision, tenacity and hard work of Mr. Lauren and others at Polo Ralph Lauren have created a widely recognized and valuable property in the Polo family of brands and trademarks. Polo Ralph Lauren's commitment to maintain, preserve, and enhance its brands, is evidenced by the company's annual expenditure of millions of dollars advertising those brands. And, each year, we go to enormous lengths to enforce our trademark rights and protect our good name.

In fiscal year 2001 alone, the company spent in excess of \$88 million dollars on advertising.

The Polo brands and family of trademarks are the company's most valuable assets. Not surprisingly, because of our success, Polo Ralph Lauren's products have been the subject of counterfeiting and infringement. We have established a global and in depth enforcement program that includes the use of outside investigators, local law enforcement, federal enforcement agencies like United States Customs Service and the FBI and an in-house department dedicated to monitoring a network of sources and contacts that inform us of potentially harmful uses of the Polo name. When necessary, Polo Ralph Lauren engages in litigation to protect the Polo brands. The importance of our trademarks is further demonstrated by the fact that we have joined together with other fashion trademark holders in joint civil and criminal actions to protect our trademarks.

In light of the company's wide success, the Polo brands are surely famous in any sense that word can be used—including the legal definition of the word "famous" as found in our trademark laws. Numerous courts have held that Polo Ralph Lauren owns "famous" marks for the purpose of the dilution statute.² In fact, in litigation involving Polo trademarks, even our adversaries have conceded the fame of the Polo name and Polo trademarks.

IMPORTANCE OF THE DILUTION ACT AND EXAMPLES OF DILUTION OF THE POLO FAMILY OF BRANDS

Because of the fame of our family of trademarks and brands, Polo Ralph Lauren was extremely grateful for the passage of the FTDA. It is a valuable and much-needed law for the protection of our intellectual property.

Unfortunately, Polo Ralph Lauren has been an all-too-frequent target of those who attempt to benefit from our good name, diluting our famous brands in the process. In 1998, at Polo Ralph Lauren's request, a federal court in Houston, Texas en-

²See, e.g., *Polo Ralph Lauren L.P. v. Schuman*, No. Civ.A. H97-1855 1988 WL 110059, at *2 (S.D. Tex. Feb. 9, 1998).

joined the use of our name and mark on a business called "The Polo Club." The court referred to The Polo Club as "an adult entertainment business." In fact, it was what is commonly known as a house of ill-repute. Polo Ralph Lauren sought and was granted this relief under the FTDA prior to the establishment in the Fifth Circuit of the actual dilution standard. Others have diluted the Polo brands by putting them on massage parlors, limousine services and cleaners.

Polo Ralph Lauren is extremely grateful for the protection afforded by the FTDA. Unfortunately, the protection afforded by the FTDA has not always been sufficient. In 1997, a company bought a specialty publication dedicated to the equestrian sport of polo, including its trademark, and converted it into a glossy fashion and lifestyle magazine titled "Polo". The magazine went from advertising equestrian-related products to putting models and images associated with Polo Ralph Lauren on its cover and in its pages. These changes were made to exploit our famous Polo brand and had the effect of diluting its value. Naturally, we sued under the FTDA.

While this dilution of our famous trademark is the precise situation the FTDA was intended to remedy, we were unable to prevail under that statute. The district court specifically found that while we would have prevailed under a likelihood of dilution standard, we failed to satisfy the more stringent actual dilution standard and we were ultimately denied relief under the FTDA. The court, in effect, said that we had to wait until our brand had been irreparably harmed before we could be granted relief. Given this experience it could not be more clear to us that the dilution standard needs to be clarified. Indeed, if the actual dilution standard had been in effect in the house of ill repute case, we might not have prevailed there either.

SUPPORT FOR THE LEGISLATION

It is for this reason that I come before you to support an amendment to the Trademark Act of 1946 ("Lanham Act").³ We must insure that what happened to Polo Ralph Lauren in the cases I have described does not happen to others across the country. The FTDA was designed to protect famous trademarks such as ours. We believe that our name, our property, is vulnerable absent the protection which would result from clearly establishing that the appropriate standard under the FTDA is likelihood of dilution rather than actual dilution.

The Polo name is the root of all of our trademarks and is the heart of our company. We cannot afford to fail to vigilantly protect the Polo brand. This trademark is more important to the success of our company than any distributor, licensee, factory or store. It is without question the single most important piece of property owned by Polo Ralph Lauren.

It has been said that there is a magic behind the Polo brand and its family of trademarks and brands. Over the years Mr. Lauren and his team have built this magic from a single men's tie to an array of consumer products defining a distinct lifestyle. When others are afforded an unearned advantage by using the good will we have created in these brands and trademarks, we believe it is theft. And when others are allowed to tarnish our good name and public acceptance that we have cultivated and nurtured, we believe it is vandalism. Protecting our family of brands and trademarks is the highest corporate priority.

This amendment to the FTDA is necessary for the protection of our property and the property of other famous brand owners.

CONCLUSION

Thank you Mr. Chairman, for the opportunity to explain the importance of the Polo name and its trademarks to Polo Ralph Lauren and our company's view that an amendment to the Lanham Act to clarify that likelihood of dilution is the appropriate standard is critically important to all owners of a famous trademark.

³ 15 U.S.C. § 1051, *et seq.*

Summary Statement of Sherry L. Jetter, Esq
Oversight Hearing on the Federal Trademark Dilution Act

Polo Ralph Lauren appreciates the opportunity to appear before the House Subcommittee on Courts, the Internet, and Intellectual Property to discuss the critical importance of the "Polo" family of trademarks and brands which have come to define Polo Ralph Lauren over a period of nearly 35 years and to express our company's strong support for legislation establishing that likelihood of dilution is the proper standard for finding dilution under the Federal Trademark Dilution Act of 1995.

The vision, tenacity and hard work of Mr. Lauren and others at Polo Ralph Lauren have created a widely recognized and valuable property in the Polo family of brands and trademarks. Polo Ralph Lauren's commitment to maintain, preserve, and enhance its brands, is evidenced by the company's annual expenditure of millions of dollars advertising those brands. And, each year, we go to enormous lengths to enforce our trademark rights and protect our good name.

Unfortunately, Polo Ralph Lauren has been an all-too-frequent target of those who attempt to benefit from our good name, diluting our famous brands in the process. In 1998, at Polo Ralph Lauren's request, a federal court in Houston, Texas enjoined the use of our name and mark on a business called "The Polo Club." The court referred to The Polo Club as "an adult entertainment business." Polo Ralph Lauren sought and was granted this relief under the FTDA prior to the establishment in the Fifth Circuit of the actual dilution standard. Others have diluted the Polo brands by putting them on massage parlors, limousine services and cleaners.

Polo Ralph Lauren is extremely grateful for the protection afforded by the FTDA. Unfortunately, that protection has not always been sufficient. In 1997, a company bought a specialty publication dedicated to the equestrian sport of polo and converted it into a glossy fashion and lifestyle magazine titled "Polo". The magazine went from advertising equestrian-related products to putting models and images associated with Polo Ralph Lauren on its cover and in its pages. Naturally, we sued under the FTDA. While this dilution of our famous trademark is the precise situation the FTDA was intended to remedy, we were unable to prevail under that statute. The district court specifically found that while we would have prevailed under a likelihood of dilution standard, we failed to satisfy the more stringent actual dilution standard and we were ultimately denied relief under the FTDA.

It is for this reason that I come before you to support an amendment to the Trademark Act of 1946. We must insure that what happened to Polo Ralph Lauren in the cases I have described does not happen to others across the country. The FTDA was designed to protect famous trademarks such as ours. We believe that our name, our property, is vulnerable absent the protection which would result from clearly establishing that the appropriate standard under the FTDA is likelihood of dilution rather than actual dilution.

Mr. COBLE. Thank you, Ms. Jetter.

I have a young high school senior, Mr. Cox, from my district, who is shadowing me today. And he tells me that one of his classmates has done some modeling for your company, Ms. Jetter. I would like for you two to meet prior to your departure.

Ms. JETTER. It would be a pleasure.

Mr. COBLE. And, Mike, I need to say this for the record: I don't want anyone in the room to think that, because there are few people here on the panel, that there is no interest in this subject. The

interest is indeed intense. I know Mr. Berman shares my concern, as does Mr. Goodlatte. And I thank Ms. Hart for being here.

But as I said earlier, for the record, we were in until about 3 o'clock this morning, so I think that's one of the reasons why no one is here.

So please don't let the only two of us here indicate no interest, because the interest is indeed here.

Mr. Horwitz, you are the cleanup batter.

**STATEMENT OF ETHAN HORWITZ, PARTNER, DARBY AND
DARBY, P.C.**

Mr. HORWITZ. Thank you, Mr. Chairman.

I wanted to thank you for inviting me here to these hearings, because the FTDA was passed to protect famous marks for third party uses that dilute them. And I think, in some circuits, the FTDA is really in danger of becoming eviscerated because the level of proof required and the type of proof required make it practically impossible to meet.

What I'd like to do, really, is look at the classic examples that were cited in the Congressional Record when the FTDA were passed. Those are Buick Aspirin, Schlitz varnish, and Kodak pianos. Those are classic examples of dilutive use.

Now, what I'd like to do is look at the case law that has arisen in the—the two sets of case law, and see how those uses would be—would fare under the standard that exists today in the Fourth Circuit, for example.

According to the interpretation of the FTDA in the Ringling Brothers case in the case in the Fourth Circuit, there is a requirement of actual consummated harm to be shown. Actual dilution has to have occurred and be proven, and you have to show an actual loss of revenue.

Do we really think that, if a third party started using Buick aspirin, that Buick would experience a loss of sales, that Buick could show that it has been economically damaged through the use of Buick aspirin?

Similarly with Kodak, if someone started selling Kodak pianos, do we really think that the quantity film that Kodak sells would go down and that they would be able to show that they had lost sales?

And even if they had a diminution of sales, it would be impossible to tie that diminution of sales to the dilutive use. How do you show that connection at trial?

Now, dilution is a gradual whittling away of the value of the mark. It means that if I allow Kodak pianos, and then I allow Kodak clothing, and then Kodak fax machines, and then Kodak coffee, and then Kodak briefcases, what eventually is going to happen is a difference in people's minds as to what Kodak means.

When I say "Kodak" today, you almost automatically think of film. But if you allow all of these third parties to thrive and to take the Kodak mark and use it, what will happen is that the automatic thinking of Kodak—between Kodak and film will be destroyed.

Now, the question was given to the Second Circuit in the Nabisco case after the Ringling Brothers case in the Fourth Circuit. And what Nabisco says is that the statute as written means that a like-

likelihood of dilution is all that is required to be proven. The court recognized that the words “likelihood of” were not part of the dilution statute but pointed to the Ringling Brothers case and said that to require actual dilution the way they did was, quote, “an excessive literalism to defeat the intent of the statute.”

That court pointed out that tying damage or lost sales to the dilutive use is speculative.

It also said that when dilution actually causes damage is really antithetical to the statute. Dilution has been described as an infection that spreads. The FTDA is really an inoculation to that virus. If you wait until the virus is spread, until the virus has actually caused damage, very often that inoculation doesn’t work; it’s too late.

And if you have to wait until actual damage has occurred, if you look at these famous marks like Buick and like Kodak, by the time I destroy those famous marks and I show that they have been destroyed and damaged, it’s too late. It really is irreparable injury.

Now, what I’d also like to point out is that there are other areas where likelihood is not used, and, yet, the law provides an ability to remedy before the damage takes place.

For example, in the simple tort of trespass, if I’m standing on the edge of your land, and I’m threatening to trespass, and I’m threatening to do all sorts of things, you don’t have to wait until I actually go on your land and actually do something before you can go get a court to enjoin my ability to go on the land. As long as there is a likelihood that I go on the land, you can get that sort of injunction.

Now, because the statute provides that injunction is one of the main remedies here, it’s no question that you do not have to wait until the actual damage takes place to get the inoculation against that damage.

In sum, Mr. Chairman, the dilution law was designed to protect famous marks from the gradual whittling away of their distinctive quality. Certain circuits require actual dilution to have occurred and actual damage proven. As a practical matter, this eviscerates the statute; you cannot prove that in the vast, vast majority of the cases, including the examples in the Congressional Record.

I ask you to please put the teeth back in the statute in these circuits by passing this amendment.

[The prepared statement of Mr. Horwitz follows:]

PREPARED STATEMENT OF ETHAN HORWITZ

INTRODUCTION

Good morning, Mr. Chairman. My name is Ethan Horwitz. I am a partner at Darby & Darby PC, a law firm in New York which has specialized in intellectual property for more than 100 years. I am testifying today in my personal capacity, and the views I express are my own.

By way of background, I am the author of the five volume treatise *WORLD TRADEMARK LAW AND PRACTICE* (Matthew Bender) and co-author of *PATENT LITIGATION: PROCEDURE AND TACTICS* (Matthew Bender) and the editor of *INTELLECTUAL PROPERTY COUNSELING AND LITIGATION* (Matthew Bender). I am an Adjunct Professor of Advanced Trademark Law at Fordham University School of Law.

A trademark is customarily protected against use of that mark or a similar mark that may cause consumer confusion. The owner of a mark may stop a third party from using a similar mark on similar goods in a way that may cause consumers to believe that the third party’s products originate from the trademark owner or are

sponsored or approved by the trademark owner. For example, MCDONALD'S was able to stop a third party from selling bagels under the mark MCBAGEL'S.¹

The theory of dilution stems from a recognition that there are some marks that are so famous and distinctive that they deserve special protection. For these famous marks, the traditional protection from confusion is not enough. The classic examples are BUICK, DUPONT and KODAK. When you say the word BUICK, the car automatically comes to mind. Similarly, saying KODAK brings film to mind. Whereas, with an ordinary mark like UNITED or FIRST NATIONAL, there is no specific image that comes to mind. Marks like BUICK and KODAK are so powerful because they are distinctive and famous, and dilution law gives them the added protection they need.

Dilution theory provides that regardless of whether there is confusion or whether the parties' goods are in competition, a distinctive and famous mark can be protected against damage to its distinctive quality—its “selling power”—from third party use of the mark on unrelated goods.² This damage, called “blurring,” has been described as third party uses that “blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.”³

For example, if a clothing manufacturer were to start selling KODAK ties, it is likely that a court would conclude that the average consumer would not be confused into believing that the KODAK film company was the maker of the ties or even licensed or approved the ties. That is, the court likely would conclude there is no infringement. Yet, this unauthorized use still harms the KODAK mark. This use begins to chip away at the unique image of KODAK, namely the ability of the KODAK mark to summon up a specific image of a film company.

This damage has been described as the “gradual diminution or whittling away of the value of the famous mark by blurring uses by others.”⁴ Obviously, one small use of KODAK on ties is going to have little effect by itself. Yet, if this use cannot be stopped and other third party uses of KODAK on soft drinks, KODAK on perfume, KODAK on pens and KODAK on clocks cannot be stopped, then the distinctiveness of KODAK will be damaged. Soon, KODAK will no longer signify or call to mind the film company.

The Federal Trademark Dilution Act (“FTDA”)⁵ must protect against this gradual whittling away and give KODAK the ability to stop this first use of KODAK on ties. That is why we are here today.

The FTDA provides:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as provided in this subsection.⁶

The FTDA has been interpreted in two ways by the courts. One way, exemplified by the Second Circuit's decision in *Nabisco*⁷, holds that the proper interpretation of the FTDA is that use of a mark can be enjoined if it is likely to dilute the famous mark. In contrast, the Fourth Circuit in *Ringling Bros.*,⁸ held that the FTDA requires proof of actual dilution before an injunction can issue.

The difference between these two interpretations is very important. Going back to the KODAK ties example, we can see how this is the first step on the slippery slope to the loss of the distinctiveness of the KODAK mark. The question raised is, how does Kodak show that this one use on ties has actually caused damage?

As a trademark trial lawyer, I can tell you that proving actual damage is extremely difficult. If proof of actual damage is the standard, then in effect, the protections afforded by the FTDA are a nullity. At trial, I can show that through a series of uses on third parties, the KODAK mark will be damaged and I can put marketing experts on the stand to explain how this damage will occur. But to prove that a specific single use has actually already caused actual damage is impossible except in rare cases.

¹ *McDonald's Corp. v. McBagel's, Inc.*, 649 F. Supp. 1269 (S.D.N.Y. 1986).

² *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2d Cir. 1989).

³ H.R. Rep. No. 104-374, 104th Congress (1995), at 2.

⁴ 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:94, at 24-161 (1999).

⁵ Pub. L. No. 104-98, 109 Stat. 505 (1995).

⁶ 15 U.S.C. § 1125(c)(1).

⁷ *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

⁸ *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (1999).

I urge you to pass this legislation so that the FTDA has the effect Congress intended when it was enacted in 1995 and that famous marks, which are one of the pillars of the American economy are protected.

PROTECTION OF FAMOUS AND DISTINCTIVE TRADEMARKS

Modern trademark law as originally codified by the Lanham Act of 1946,⁹ recognizes a cause of action for trademark infringement where the owner of a trademark may bar another from using the same or similar mark in a manner that creates a likelihood of consumer confusion as to the source or origin of goods or services.¹⁰ Trademark infringement on unfair competition is defined as:

- (1) Any person who shall, without the consent of the registrant—
- A. use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or to cause mistake, or to deceive; or
 - B. reproduce, counterfeit, copy, or colorable imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising, of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;
- shall be liable in a civil action by the registrant for the remedies herein after provided. . . .¹¹

Traditional trademark law has always distinguished between marks which lack distinctiveness and those which are inherently distinctive, by according protection to those marks which by their nature are inherently distinctive.¹² In *Abercrombie & Fitch*,¹³ Judge Friendly explained this difference with a scale progressing from marks that are least to most distinctive: (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or fanciful.¹⁴

THE FEDERAL TRADEMARK DILUTION ACT

The passage of the FTDA in 1995 was a monumental step towards enhanced protection for famous and distinctive trademarks. Prior to the enactment of the FTDA, owners of famous trademarks had to look to a patchwork of state laws and courts to redress dilution of their marks, resulting in inconsistent decisions. The FTDA was intended to create a uniform anti-dilution law and provide a national remedy:

Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner. The federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks . . . A federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection. . . .¹⁵

Moreover, the legislative history of the 1946 Lanham Act demonstrates that Congress had a dual purpose in enacting it. First, to protect consumers from confusion as to the source and quality of goods. Second, to “protect the owner of a trademark who has spent time, energy, and money in the pursuit of the first purpose [protecting consumers from confusion] from those who would trade upon the mark’s goodwill.”¹⁶ While protecting consumers from confusion can be easily accomplished through traditional trademark infringement claims, protecting trademark owners is more difficult, especially where the same or similar marks are used on different,

⁹ 15 U.S.C. § 1051, et seq. (1946).

¹⁰ 15 U.S.C. § 1125(a).

¹¹ 15 U.S.C. § 1114(1).

¹² *TCPIP Holding Co., Inc. v. Haar Communications Inc.*, 244 F.3d 88, 93 (2d Cir. 2001) (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9–11 (2d Cir. 1976)). The Lanham Act expanded protection to trademarks which while not inherently distinctive, had acquired secondary meaning through use. See 15 U.S.C. § 1052(e), (f).

¹³ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

¹⁴ *Id.* at 9.

¹⁵ H.R. Rep. No. 104–374, supra note 3, at 2–3.

¹⁶ Terry Ahearn, Comment: Dilution By Blurring Under The Federal Dilution Trademark Act of 1995: What Is It And How Is It Shown?, 41 Santa Clara L. Rev. 893, 903 (2001).

non-competing goods. Frequently, confusion is unlikely to result in that situation, leaving the trademark owner with little recourse.¹⁷

The FTDA was intended to remedy this situation. It specifically permits the owner of a famous trademark to enjoin a junior user “throughout commerce, regardless of the absence of competition or confusion.”¹⁸ And, because the protection afforded a mark under the FTDA is much broader than that under a likelihood of confusion standard, the class of marks entitled to protection under the FTDA is limited¹⁹ to highly distinctive, famous trademarks which the public recognizes as signifying something “unique, singular, or particular.”²⁰

BUICK, KODAK and DUPONT are marks which the courts and Congress have repeatedly pointed to as examples of such highly distinctive and famous trademarks deserving of protection from dilution.²¹ Because no reasonable consumer would believe that BUICK aspirin or BUICK shoes were related to BUICK cars, the traditional likelihood of confusion test for trademark infringement would do little to protect BUICK. Nevertheless, this junior user is trading on the goodwill created by the effort and money spent by Buick over the years. If BUICK aspirin and BUICK shoes are permitted to coexist with BUICK cars, and other unrelated “Buick” products are permitted to come along, the BUICK trademark will slowly but surely lose its cache.²² These unauthorized uses will “reduce the public’s perception that the mark signifies something unique, singular, or particular.”²³ The FTDA was intended to prevent this.

INCONSISTENT JUDICIAL INTERPRETATIONS OF THE FTDA HAS UNDERMINED ITS EFFECTIVENESS

Since its enactment, the courts have inconsistently interpreted the standard for granting an injunction²⁴ under the FTDA. The resulting split in the circuits has undermined the purpose of the FTDA. Thus, despite its enactment, there is still no national dilution law; decisions continue to be unpredictable and unreliable. The two leading decisions come out of the Fourth and Second Circuits.

In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*,²⁵ Ringling Bros. claimed that its trademark “The Greatest Show On Earth” had been diluted by the State of Utah’s commercial use of the slogan “The Greatest Snow on Earth,” and sought injunctive relief under the FTDA. At trial, Ringling Bros.’ evidence that its mark had become famous before 1962, when Utah began use of its slogan, was essentially undisputed. The District Court found that Ringling Bros. had not proven dilution, and found in favor of Utah. The Fourth Circuit affirmed.²⁶

On appeal, Ringling Bros. challenged the District Court’s interpretation of the definition of “dilution” and the elements of a dilution claim under the FTDA.²⁷ In affirming, the Fourth Circuit held that dilution under the FTDA consists of “(1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) causes (3) *actual harm* to the senior marks’ economic value as a product-identifying and advertising agent.”²⁸ It is the Fourth Circuit’s requirement that “ac-

¹⁷Id. See also TCPIP Holding, 244 F.3d at 94–95.

¹⁸TCPIP Holding, 244 F.3d at 95; 15 U.S.C. § 1127 (dilution may be found “regardless of the presence or absence of . . . (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception”).

¹⁹TCPIP Holding, 244 F.3d at 95.

²⁰H.R. Rep. No. 104–374, supra note 3, at 3.

²¹H.R. Rep. No. 104–374, supra note 3, at 3 (“Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation”); TCPIP Holding, 244 F.3d at 96.

²²*Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 175 (2d Cir. 2000) (“Trade-mark dilution statutes are designed to cover those situations where the public knows that the defendant is not connected to or sponsored by the plaintiff, but the ability of the plaintiff’s mark to serve as a unique identifier of the plaintiff’s goods or services is weakened because the relevant public now also associates that designation with a new and different source. . . . Thus, where the classic likelihood of confusion test leaves off, the dilution theory begins.”) (citations omitted).

²³H.R. Rep. No. 104–374, supra note 3, at 3.

²⁴As discussed below, except in very limited circumstances, the only remedy available to the owner of a famous mark under the FTDA is injunctive relief. 15 U.S.C. § 1125(c)(2).

²⁵170 F.3d 449 (4th Cir. 1999).

²⁶Id. at 451.

²⁷Id. at 453.

²⁸Id.

tual harm” to the senior user’s mark be shown which has caused the greatest debate and disagreement among the courts that have addressed this issue.²⁹

The Fourth Circuit based its interpretation on its reading of the legislative history, state anti-dilution statutes and the evolution of state and federal trademark law. In particular, the Court relied on the fact that many state anti-dilution statutes used a “likelihood of dilution” standard while the FTDA uses the language “causes dilution.”³⁰ The Court conceded that its interpretation of the FTDA was “stringent.”³¹

In *Nabisco, Inc. v. PF Brands, Inc.*,³² the Second Circuit had the opportunity to consider the issues raised in *Ringling Bros.* Nabisco brought a declaratory judgment for non-infringement against Pepperidge Farm, the producer of the famous Goldfish snack crackers. Pepperidge Farm moved for a preliminary injunction on the ground that Nabisco’s planned introduction of a goldfish shaped snack cracker would dilute the distinctive quality of Pepperidge Farm’s Goldfish cracker in violation of the FTDA and New York’s anti-dilution statute. The District Court granted Pepperidge Farm’s motion and ordered Nabisco to recall its product. On appeal, the Second Circuit affirmed.³³

Relying on *Ringling Bros.*, Nabisco argued that in order to prevail, Pepperidge Farm had to show actual harm, consisting of an actual reduction in the selling power of its Goldfish mark.³⁴ The Second Circuit rejected Nabisco’s argument and disagreed with the Fourth Circuit’s interpretation of the FTDA.³⁵

While recognizing that the language of the FTDA might support the *Ringling* Court’s requirement of “actual consummated” dilution because the statute uses the language “causes dilution” rather than “likelihood of dilution,” the Second Circuit nonetheless viewed that reading as “excessive literalism to defeat the intent of the statute.”³⁶ The Court went on to explain the illogical result of the Fourth Circuit’s interpretation of the FTDA:

To read the statute as suggested by the *Ringling* opinion would subject the senior user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), . . . such injury would never be compensated. The *Ringling* reading is also disastrously disadvantageous for the junior user. In many instances the junior user would wish to know whether it will be permitted to use a newly contemplated mark before the mark is launched rather than after . . . If the statute is interpreted to mean that no adjudication can be made until the junior mark had been launched and has caused actual dilution, businesses in Nabisco’s position will be unable to seek declaratory relief before going to market. They will be obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined.³⁷

While most courts that have addressed this issue since Nabisco have followed the Second Circuit,³⁸ this split goes to the heart matter.³⁹

The Second Circuit recognized that requiring a showing of actual harm made little sense in the context of a dilution claim because actual harm is so difficult to prove:

If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no mat-

²⁹ See, e.g., *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 179 (3d Cir. 2000).

³⁰ *Ringling Bros.*, 170 F.3d at 458; see also *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000).

³¹ *Ringling Bros.*, 170 F.3d at 458.

³² 191 F.3d 208 (2d Cir. 1999). I represented PF Brands and Pepperidge Farm, Inc. at trial and on appeal.

³³ Id. at 212.

³⁴ Id. at 214. Nabisco raised other issues on appeal which are not germane to the bill under consideration.

³⁵ Id. at 223.

³⁶ Id. at 224.

³⁷ Id.

³⁸ See supra note 29.

³⁹ One could argue that *Ringling Bros.* reached the right conclusion for the wrong reason, or bad facts make bad law. *Ringling Bros.* and Utah had been using their respective slogans for nearly 40 years. While the FTDA standard should be a likelihood of dilution, the Court could have easily found that having co-existed for so long without any evidence of dilution was sufficient evidence that there was no likelihood of dilution. This would be similar to traditional trademark infringement cases where the parties co-exist for decades without any evidence of actual confusion, resulting in a finding of no likelihood of confusion and, hence, no infringement.

ter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to dilution of the mark.⁴⁰

Surveys, which the *Ringling* Court had speculated could be used to prove actual dilution,⁴¹ are expensive, time consuming and can be easily manipulated⁴² and, therefore, do not readily satisfy the evidentiary black hole created by *Ringling Bros.* Similarly, due to the nature of dilution itself, one has to wonder whether it is ever possible to show actual harm from a single use. That first use may get the ball rolling, but it is the combination of multiple third party uses over time that gradually “whittle away” the distinctiveness of a famous mark.⁴³

THE FTDA SHOULD BE AMENDED TO REFLECT LIKELIHOOD OF DILUTION AS THE PROPER STANDARD

The purpose of the FTDA will continue to be undermined so long as the courts continue to interpret its language in an inconsistent manner. This is particularly true for those courts that follow *Ringling Bros.* because the requirement that “actual consummated” harm be shown by the owner of a famous mark will have the effect of nullifying the FTDA. Not only is this requirement illogical from the standpoint of dilution theory in general, but it is equally illogical given that the only real remedy available under the FTDA is injunctive relief.⁴⁴

Commentators, the courts and the legislative history of the FTDA have uniformly recognized that the harmed caused by dilution is a slow, creeping harm which occurs over time and is difficult to measure:

Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another’s use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.⁴⁵

Relying on this passage from the legislative history, the Sixth Circuit followed *Nabisco* because this language “evinces an intent to allow a remedy before dilution has actually caused economic harm to the senior mark. In such a case, proving actual harm would be extremely difficult, as no such harm would have taken place when the remedy became available . . . requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult. With such a broad remedy [injunctive relief] considered in the Act’s legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable.”⁴⁶

By its very nature, injunctive relief has value only if it is granted *prior* to harm actually occurring. In this instance, dilution is no different from traditional trademark infringement, patent or copyright infringement or for that matter, any other tort where injunctive relief is an available remedy.⁴⁷ If a famous mark owner must wait until actual dilution has occurred before being entitled to an injunction, the remedy it ultimately obtains will be an empty one. “Although enjoining junior use of a mark after years of use in the marketplace may take the junior mark out of commerce, an injunction cannot erase the association consumers have made between the junior mark and the senior mark in their minds. This type of damage is not

⁴⁰ *Id.* at 223–24.

⁴¹ *Ringling Bros.*, 170 F.3d at 464–65.

⁴² *Nabisco*, 191 F.3d at 224; see also *Eli Lilly*, 233 F.3d at 468 (“[W]e doubt that dilution of the distinctiveness of a mark is something that can be measured on an empirical basis by even the most carefully crafted survey.”).

⁴³ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825 (1927).

⁴⁴ 15 U.S.C. §§ 1125(c)(2).

⁴⁵ H.R. Rep. No. 104–347, *supra* note 3, at 3 (quoting *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)); see also *V Secret Catalogue*, 259 F.3d at 475.

⁴⁶ *V Secret Catalogue*, 259 F.3d at 476.

⁴⁷ See, e.g., *United States v. Oregon State Medical Society*, 343 U.S. 326, 333 (1953) (“The sole function of an action for an injunction is to forestall future violations.”); *Roe v. Cheyenne Mountain Conference Resort, Inc.*, 124 F.3d 1221, 1230 (10th Cir. 1997) (“The purpose of an injunction is to prevent future violations. . . .”)(citations omitted); *Caplan v. Fellheimer Eichen Braverman & Kaskey*, 68 F.3d 828, 839 (3d Cir. 1995) (purpose of a preliminary injunction is to “protect the moving party from irreparable injury until the court can render a meaningful decision on the merits”); 13 JAMES WM. MOORE, *MOORE’S FEDERAL PRACTICE* § 65.02[2], at 65–13 (3d ed. 1997) (“[T]he purpose of injunctive relief is to prevent future harm.”).

only difficult to compensate, but also causes irreparable harm to the identifying function of a trademark.”⁴⁸

CONCLUSION

In view of these points, I believe that the FTDA should be amended to clarify Congress’ original intent that the proper standard is a likelihood of dilution.

Thank you for this opportunity to share my views on this important issue of trademark law.

Mr. COBLE. Thank you, all four, for being here.

We normally impose the 5-minute rule against us, but since only Ms. Hart and I are here today, we may well liberalize that.

Double standard, Mr. Kirk, favorable to us, unfavorable to you all.

Let me put this question to Ms. Park and Ms. Jetter: I know General Electric is becoming one of the world’s leaders in e-commerce. And having said that, Ms. Jetter and Ms. Park—strike that. Let me say it a different way.

Do these proposed changes to the Federal dilution law have an impact, positive or negative, on e-commerce and the Internet?

Ms. Park?

Ms. BARRETT PARK. Mr. Chairman, of course the Internet and e-commerce are increasingly important to companies like mine, General Electric Company. And when intellectual property laws are improved, it benefits the use of our intellectual property in all media, including the Internet and through e-commerce.

That being said, I don’t think that this proposed clarification of Congress’s original intent in the dilution statute has an impact particularly on Internet and e-commerce. It is going to be across all forms of media an improvement.

Mr. COBLE. Ms. Jetter?

Ms. JETTER. Thank you, Mr. Chairman.

I agree with what’s just been said. E-commerce and the Internet is just really another form of advertising, in a sense. It could be looked at as a—even a magazine, online magazine. And that—those arenas need the protection of the FTDA just as well as any others. So dilution is dilution.

And the Internet is now opening up the stream of correspondence and the stream of communication throughout the world. So in a sense, our marks are even more vulnerable on the Internet. There are cases already that we’ve experienced at Polo where a link for Polo Girl would link you up to a pornographic Web site. And it’s damaging.

So that’s more the reason to pass this bill, because we need greater protection from this information highway, so to speak.

Mr. COBLE. To be gender neutral or gender fair, let me bring Mr. Kirk and Mr. Horwitz into this next question, two-part question.

We’ll start with you, Mr. Kirk. Explain to us, if you will, how a mark becomes famous in order to qualify for the protection under the statute, A. And B, is that standard being abused?

Mr. KIRK. Mr. Chairman, there are a number of factors that can go into making a mark famous, beginning with the distinctiveness of the mark to begin with. The further it is in the direction of being

⁴⁸ Jennifer Mae Slonaker, Comment: Conflicting Interpretations of the Federal Trademark Dilution Act Create Inadequate Famous Mark Protection, 26 Dayton L. Rev. 121, 144 (2000).

the arbitrary or fanciful type of mark, the more distinctive it is. And then—and this is the type of mark such as a Kodak or an Exxon. And then the advertising, the absence of another mark that would have the same term over a long period of time, on a national basis, all of these factors would go into making the mark famous.

You asked, “Is this being abused?” And I’m not quite sure of the import of that question. Abused by whom, if I may ask?

Mr. COBLE. Well, I just was asking in a very general way. And perhaps—maybe the question was posed too generally.

Mr. KIRK. Well, in terms of whether it’s being abused, I mean I think in some respects, if you looked at a decision such as Ringling Brothers, then one might take the view that the court was abusing the fact that here you had what was a famous mark, but yet put such high requirements of proof in place that you really abused the right of the famous mark-holder following that.

I would suspect that there are also, at the other end of the spectrum, one could also set a threshold too low in cases. And then you could possibly run into first amendment type issues that would better be dealt with in other types of judicial actions rather than trademark dilution.

Mr. COBLE. Thank you, sir.

Mr. Horwitz?

Mr. HORWITZ. I think you’ve correctly pointed out there are two steps to this process.

Mr. COBLE. Pull that mike a little closer, if you will, Mr. Horwitz.

Mr. HORWITZ. Sorry.

There’s two steps to the dilution process. The first is one determining whether the mark is worthy of dilution. Not every mark that gets trademark infringement protection gets dilution protection.

And the second question is really, once you’ve decided that the mark is worthy of dilution, is the use dilutive? And I think what you’re asking is, are the types of marks that are being held worthy of dilution, is that being abused—if I understand your question correctly.

I think that what’s happening is a natural understanding of the statute. And that is, one of the things the courts wrestle with is, the statute says “famous” and gives a bunch of criteria for being famous. And how do you match up the mark against those criteria? And I think the courts are doing a good job of learning how to apply those criteria. Not every decision is correct, but it’s going in the right direction.

Mr. COBLE. All right, sir.

Mr. HORWITZ. The difference in the second step, which is the dilution, is this use dilutive. I think that the difference there is the courts are not learning properly how to focus in on the right issues.

There’s a stark difference in the circuits, and one of—and one set of circuits have basically eviscerated the protection.

Mr. COBLE. Thank you, sir.

My 5 minutes have expired, but I have more questions. But let me now recognize the gentlelady from Pennsylvania for 5 minutes.

Ms. HART. Thank you, Mr. Chairman. I want to thank you also for having this hearing, since we all have an interest in these issues. I especially do, as well. I briefly practiced law with a cor-

poration and worked a little bit with trademark law before '95, so catching up now as a freshmen Member of Congress. I actually had a couple of real cases in my district that I've been following that seem to me to also call out from some change in the law.

I want to thank the panel. I think the testimony was very telling. Obviously, it does continue to demonstrate something that we were already suspecting, which is that the conflicting districts—the conflicting decisions in the varying circuits certainly are not to be left as they are.

You've all noted in your testimony that you believe the likelihood is the proper standard, the likelihood of the dilution. It creates a congruity that the FTDA intended, I think, by the Congress. It also protects marks before they experience actual harm in the marketplace. It doesn't seem to make sense to me that we require a company to lose a lot of money, or an organization to lose money, before the problem can be addressed.

I'm concerned with sort of the interaction between the Federal law and the Federal court cases with the State law and State court cases. As a State senator, for the last 10 years before I came here, we always dealt with that interaction. And as you know, a lot of States also provide the opportunity to create a mark of some type that is owned by an organization.

I understand the FTDA provides a degree of certainty and uniformity to trademark protection, but is there, in your experience, and anyone can answer this, about dilution of a mark that is obtained on a State level, have any of you had an experience with that? Perhaps the organization could, I guess, comment on that.

Pardon me for being tired and having a cold. [Laughter.]

I want to know, I guess, if there's a conflict because there's a different standard because a Federal court has said one thing and a State law or State court has said another. Do you find that to be an issue?

Mr. HORWITZ. If I might? I don't think it's an issue, and I think trademark attorneys are used to that. Not only in dilution is there a Federal law and State statutes, but also in trademark infringement there's a Federal law and many State statutes.

There are differences there, but they are not in conflict. I could think of examples offhand where the Federal dilution law may now apply to—for example, in a small—in a small town, there may be a store that is very famous in that town or in that State but not famous throughout the country. There's a question about whether the Federal dilution statute would cover purely local fame.

The State laws can say, "We will cover them under the State law." And if you're in this State using that mark, there's a problem. But, obviously, if you're somewhere else where the mark is not known, there's not a problem.

So I think the interaction, number one, we're used to it, and, number two, they're not in conflict but rather they're complementary.

Ms. HART. Is it a sort of assumed practice, then, that if you're going to be a national organization and you expect to use that mark across the country that seeking a State mark is just not a sensible thing to do? They all would go to the Federal level? And

any remedy that they would be looking for would be on the Federal level?

Mr. HORWITZ. It's rare that you don't include in a complaint all of the State remedies that you're also entitled to. It is also rare where you're dealing with a mark that is known throughout the country that the State remedies are considered anything but, "well, it's the same as the Federal law." There's no reason to consider them separately.

It's just where you have a local use and different remedies because of the local use, that the State law is usually considered by itself as opposed to—well, all the trademark infringement laws are pretty much the same and all the dilution laws I think should be the same. That was the intent. So I don't think that that's going to be a problem at all.

Ms. HART. Okay.

Anybody else on the panel had experience with an interaction? Okay.

The other issue I'm interested in, the real economic harm issue, how it's proved. And I guess you've had different experience with different courts, so perhaps you can sort of give me a little bit of insight as to how this has been treated.

The ones that have been requiring specifically economic harm, how do they prove it? And are they using consumer surveys with much success in showing this type of harm?

And, I guess, how difficult is it to show that kind of actual harm using a survey or some other type or sort of sampling example as real, as a real example of that dilution? Is that something that you've experienced? And if so, how successful has it been when you used that kind of sampling as your evidence?

Mr. HORWITZ. I'll tell you, I cannot pretend that I remember each and every dilution case off the top of my head, but I do not remember any at all where a court, with that standard, has held that here was dilution. And so, as a practical matter, I think that that statute—interpreting the statute as requiring actual dilution means that there is no Federal Trademark Dilution Act, as a practical matter.

And the issues with the surveys, a lot of people have written about appropriate for likelihood of dilution. I've written about it myself. And the bottom line is we all have ideas.

Even the survey I proposed I don't like. I mean, it's the best I could think of, but it's still no good. Doing it by the way of a survey I think is going to very, very difficult. Not as difficult as proving actual harm and actual lost sales, but almost so.

So I think if actual harm is the standard, whether it's under a proof anyone actual harm or it's through a survey, as a practical matter, you're not going to be able to do it.

Ms. HART. So that means, then, that your experience has shown that, if it has been attempted, it's basically not been successful?

Mr. HORWITZ. It has not been successful.

Ms. HART. Okay.

Mr. HORWITZ. Correct.

Ms. HART. All right. Anybody else on that?

You're nodding, Mr. Kirk? Yes, no, you pretty much agree with that?

Mr. KIRK. Yes.

Ms. HART. Okay.

This is a good panel. They're not particularly—

Mr. COBLE. The young lady's time has expired.

Ms. HART [continuing]. Worried about—

Mr. COBLE. We'll have a second round now, Melissa.

Ms. HART. Okay, I'll give it back. Thank you, Mr. Chairman.

Mr. COBLE. I'll come back to you.

Mr. Kirk, let me put this one to you, and then—the other panelists, feel free to weigh in.

As you all know, we at the Congress generally ought to be concerned about the Constitution. Hopefully we are. But I think it's particularly true with the Judiciary Committee.

Mr. Kirk and others, do you find a conflict between the concept of trademark law and dilution and the first amendment guarantee of free speech?

Mr. KIRK. Mr. Chairman, I do not. That's not to say that in a given situation a particular ruling might not raise implications of constitutional questions. But I think on a theoretical basis, trademark dilution, with a properly distinctive and famous mark and with either blurring or tarnishment by the other party, I think this at one extreme would raise no constitutional concerns.

On the other hand, if the fame of the mark, if the distinctiveness of the mark, were of a lesser nature, then one could start reaching to where first amendment issues might be raised. And it might be better at that point, if there's a concern on the part of an aggrieved party, to resort to other legal theories. For example, defamation, which has in its underpinnings consideration of constitutional concerns, and they can be properly considered, so that I think, given the proper functioning of the law, I would not see that.

Mr. COBLE. Ms. Park?

Ms. BARRETT PARK. Mr. Chairman, I agree with what Mr. Kirk has said.

And, I'd also like to point out that Congress indeed was mindful of the first amendment concerns back in 1995. And the statute we're talking about here today actually does have carve-outs that protect first amendment. Specifically, it protects against—there are defenses for noncommercial use of a mark, for use in news reporting or media coverage, and in comparative advertising.

So, I think Congress did a good job in addressing those concerns when this statute was enacted.

Mr. COBLE. Ms. Jetter or Mr. Horwitz, do you all want to weigh in on this?

Mr. HORWITZ. I think one of the things you have to be careful of is you want to make sure that if somebody wants to say in an article "this product is the Rolls Royce of" whatever, they're perfectly free to do so, as long as that is a news article, as long as that as commentary that is covered by first amendment.

On the other hand, if a party is selling the goods and in their advertising would say "we are the Rolls Royce of hair curlers," that is a commercial use that is not protected by free speech, and that's what is protected under the Federal Trademark Dilution Act.

And I think there's a very good line. In both—the main part of the statute, it talks about requiring it to be commercial use of the

mark, not news reporting use. And then there's a specific exception later carved out for fair use in comparative advertising and for things like newspaper reporting and so on.

So I think the first amendment is fully protected, and under the original FTDA, and this amendment would not affect in one way whatsoever.

Mr. COBLE. Ms. Jetter?

Ms. JETTER. Thank you.

Just on a practical level, we, with our mark, it's used in editorials. We allow universities or schools to use an advertisement as—for educational purposes. So, in line with what's been said about—that the carve-out was protecting the first amendment for those uses and not infringing, I believe that it doesn't affect it.

Mr. COBLE. Mr. Horwitz, I stated in my—one more question and then I'll recognize the gentlelady from Pennsylvania.

As I stated in my opening statement, there are two categories of dilution: blurring and tarnishment. And you touched on those in your statement.

In reviewing the cases, are the conflicts among the circuit courts favoring either category?

Mr. HORWITZ. Yes. I do not believe that the cases we're talking about significantly affect the tarnishment aspect of dilution. They're mostly surrounding the blurring aspect of dilution.

And so I don't think this amendment will have a practical effect on the tarnishment area, but it will have a significant effect on the blurring area.

Mr. COBLE. Any other panelists concerned about this?

Thank you.

The gentlelady from Pennsylvania?

Ms. HART. Thank you, Mr. Chairman.

I don't know if you've had a chance to see it, but we have a draft of the amendment.

Basically, I mean, our goal is to just make it a little more specific as to what the standard would be. Obviously, most of the beef, I guess, of it is on page 2 of the proposed bill. Okay.

I guess what I'd like to know is, since it's very brief—and the changes really only involve changing “would cause dilution” throughout the statute to “would be likely to cause dilution,” and also taking “and causes the dilution” to “is likely to”—do you believe that that would address the issue and, I guess, fairly represent what you hope that the statute will both convey and be interpreted as conveying by the courts?

And that's—Ms. Park?

Ms. BARRETT PARK. Yes. I think that that's exactly the fix, because the courts that have interpreted Congress's intent as trying to prevent a likelihood of dilution have used that exact language. So if the statute is changed in the way that's proposed, to say it would be likely to cause dilution, I think that that echoes what those courts, that have interpreted Congress's intent correctly have already done.

Ms. HART. Okay, so then it is language that the courts actually understand—

Ms. BARRETT PARK. Yes.

Ms. HART [continuing]. And have reflected on in the past?

Ms. BARRETT PARK. Yes, absolutely.

Ms. HART. Okay. All right, thank you.

Mr. Kirk?

Mr. KIRK. I would agree with that. I would add that there are probably some technical issues with the specific language that could be worked with.

For example, the amendment in the draft bill refers to section 2(f), and the language that's actually being amended is not in 2(f). It is the end of section 2, if you read the 1995 act.

I also would observe that I know that there are some who believe that the 1995 act was clear, and yet two circuits went in a direction that most people think was not the way that the Congress intended the act to go and, for that reason, think that it might be better to do "belt-and-suspenders" approach throughout and other places to add this to sort of hit anyone who is reading this over the head with a proverbial 2x4 to make sure that they don't misinterpret it.

But I think, again, that is a matter of editing, I think. Certainly my association would find this language—the "likely to cause dilution" language to be exactly the right phraseology.

Ms. HART. Okay. That's what I was looking for. Thank you.

And anybody else? Ms. Jetter?

Ms. JETTER. Just agreeing with both Ms.—I think that that very much clarifies what we intend and what we need, in terms of our mark, to protect it. And that would make us, as a corporation and owner of a famous brand, feeling less vulnerable to what the potential would be with the old bill as it's written.

Ms. HART. Are you all—actually, I'll let Mr. Horwitz comment first, and then I have another sort of follow-up.

Mr. HORWITZ. I think that given the fact that the circuits have basically described this difference themselves as the difference between dilution and likelihood of dilution, that following that language and indicating that the law is meant to make—the amendment is meant to make it clear that the law is going in favor of those circuits that have interpreted it as a likelihood of dilution statute. I think, combined with that kind of congressional record, this amendment is exactly what's needed.

Ms. HART. Are you all comfortable with the standard, what proof would have to be provided to show that likelihood? Is that something that you believe that, especially, I would say, those who are going to represent an organization that may find itself in one of these suits, comfortable with, I guess, the amount of proof, being able to gain that amount of proof to actually show a likelihood, that that's something that could be done, then?

Mr. HORWITZ. Yes, for example—

Ms. HART. First it's showing harm, obviously, which is much more difficult, but showing a likelihood is going to be sort of a subjective standard. I can't think of any other way to make it more specific, but—

Mr. HORWITZ. We find that all time. It really is subjective. It's not like you have a bright line telling you exactly where is good and bad. It's very subjective.

And the circuits, for example, have developed lists of issues to look into, to decide, for example, whether there's a likelihood of confusion—

Ms. HART. Okay.

Mr. HORWITZ [continuing]. Under the infringement statute.

Similarly, the Nabisco case, the court set out a long list of things to be considered in order to determine whether there's a likelihood of dilution. And one of the things it said it: These are what we can think of, but, obviously, as cases develop, we will add to this and adjust this and so on.

And I think that that's a good way to approach it, which is, it's a new statute, let's learn about it, and so on, in terms of how to apply the likelihood of dilution. And I think that's being done fairly well.

So I don't think the—while the standard should—make it clear that it's likelihood, the factors that you consider I think are going in the right direction and will get there eventually.

Ms. HART. Do you believe that it would be helpful for us to include those factors, though, as part of the statute?

Mr. HORWITZ. No, because I think that what starts to happen is, instead of learning and refining those factors, you lay down the factors and you sort of cut everybody else out, and you may—we may learn that one of those factors, over time, is not that important, and so on.

So I think that allowing the courts to develop those factors and adjust them is a good way to go, compared to the amendment of likelihood, which is not a good way to go.

Ms. HART. Okay. Step in the right direction.

Everybody is nodding, so I have no further questions.

Thank you, Mr. Chairman.

Mr. COBLE. Thank you, Ms. Hart.

Folks, in the rural South, when one is anxiously involved and becoming engaged in dialogue, it would be said that this issue is flying all over me. [Laughter.]

Well, my learned counsel is flying all over me to put a question to Mr. Kirk, and I will satisfy my learned—and I think it's a good three-part question, Mike.

To what extent, Mike, Mr. Kirk, do nonprofits qualify for protection under the trademark dilution, A?

B, would the NAACP and the ACLU, for example, be considered famous marks?

And, three, would they be—would these institutions or these groups, these entities, be protected against dilution if a disparaging Web site was created or a product like a gun, for example, or a weapon called an "ACL-Uzi" was marketed?

That will satisfy Chris, and me, too. I'm interested in this, as well. [Laughter.]

I hope the rest of the audience is.

Mr. KIRK. Well, to start with your first question, which is, by far, the easier one, nonprofits would, indeed, be covered. We were discussing this issue before the hearing. And certainly Harvard University, for example, the name "Harvard" would be a good candidate for being protectable by a dilution standard or perhaps Salvation Army or some of the other large charities. Some organizations are protected by Federal statute, and that's a whole different ballgame. But certainly nonprofits are not excluded simply because they're nonprofits.

As far as the NAACP or the ACLU, certainly I'm not in a position to say that they would not be protected by the dilution statute. I think, again, this is a matter of the evidence. And it would be evidence that I am not familiar with at this point, in terms of knowing what else might be out there in terms of initials of this type.

But at first blush, it would seem to me that both of these organizations, at least initially, would have a good cause to bring a dilution type case against the sort of thing that you were talking about.

Mr. COBLE. How about my hypothetical weapon, Mike? Or did you touch on that?

Mr. KIRK. I think I did—

Mr. COBLE. Okay, very well.

Mr. KIRK [continuing]. Try to touch on that as well.

Mr. COBLE. Very well.

Folks, I have told Mr. Kirk this, and I don't mean to be preferential to Mr. Kirk, but I see him more than I see the others.

I have told him and I will tell you all, I am deeply appreciative to what you all in the intellectual property community do to contribute to the well-being of our society. I see Mike in the room. I see John in the room. And there are others as well. You all are heroes, as far as I'm concerned, and I'm appreciative to you for it.

Ms. Hart, do you want to have any concluding remarks? Pardon?

Ms. HART. Yes, I have concluding remarks.

Mr. COBLE. All right, very well. You may be recognized for 1 or 2 minutes.

Ms. HART. It won't even be that many.

First of all, I want to thank you, Mr. Chairman, for bringing this issue to the fore. I'm probably—I probably have enough knowledge on this issue as a private sector lawyer to be dangerous. So this has actually given me a little bit more to be a little dangerous and hopefully be able to be constructive in what we do here.

I'm pleased to be one of the sponsors of the legislation that we intend to move forward. And I'm glad for the input that we've had the opportunity to have today from people who deal with it on a regular basis.

Thank you, Mr. Chairman.

Mr. COBLE. Thank you.

And, again, I thank you for your contribution, I say to the panelists. The Committee very much appreciates your being here today.

This concludes the oversight hearing on the Federal Trademark Dilution Act.

The record will remain open for 1 week, so feel free to contribute further if some subsequent ideas come to you.

Thank you for your cooperation, and the Committee stands adjourned.

[Whereupon, at 11:14 a.m., the Committee was adjourned.]

A P P E N D I X

STATEMENTS SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE HOWARD L. BERMAN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman:

I am pleased to join you at this hearing today. My thanks to our distinguished witnesses for appearing here and sharing their expertise on trademark dilution.

It has been about six years since we enacted the Federal Trademark Dilution Act. Thus, sufficient time has passed to allow us to review whether the Dilution Act has accomplished its objectives, and to see how the Act has been interpreted by the courts. I commend the Chairman for diligently exercising the Subcommittee's oversight responsibility by calling this hearing.

The 1995 House Judiciary Committee Report on the Dilution Act essentially constitutes the whole legislative history of the Act. As that Report indicates, the purpose of the Act is "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it." Further, as state trademark dilution laws were spotty and inconsistent at the time, the Dilution Act was designed to "bring uniformity and consistency to the protection of famous marks."

While the Dilution Act has demonstrated obvious utility in a number of court cases over the past six years, it appears to have fallen short of achieving its objective of providing a uniform, national dilution law. This failure is due to a significant split among the Circuits over proper interpretation of a key element of the Dilution Act. This split has led to the undesirable result that, in effect, a different Dilution law applies depending on the judicial circuit in which one is located.

In short, the Fourth and Fifth Circuits have interpreted the Dilution Act to require, among other things, demonstration of actual dilution to maintain a case under the Act. The First, Second, Third, and Seventh Circuits, on the other hand, only require demonstration of a likelihood to cause dilution. The Supreme Court has evidenced no inclination to resolve this split.

The unresolved split among the Circuits seems to necessitate further legislative clarification. Certainly, it is the responsibility of Congress to step in and clarify the meaning of statutes over which the courts significantly differ.

While I am persuaded we should clarify the Dilution Act to provide one clear standard, I am as yet unsure of the appropriate standard. I look forward to hearing the educated opinions of our witnesses about the standard we should adopt.

The two standards adopted by the conflicting circuits appear to each have their pros and cons.

Certainly, the "actual dilution" standard adopted by the Fourth and Fifth Circuit is consistent with a reasonable interpretation of the actual language of the Dilution Act. However, that standard seems rather restrictive, and may lead to absurd results.

For instance, an "actual dilution" standard means that injunctions, which are the exclusive remedy for non-willful violations of the Dilution Act, can only be secured after a trademark has been diluted. Thus, injunctions can only stop further dilution, but cannot stop or remedy prior dilution. Further, mark owners face the threat that they will be found to have abandoned their marks if they fail to aggressively police and prevent infringement and dilution of their marks. An actual dilution standard, however, requires a mark holder to countenance some dilution before she can file a dilution claim. Lastly, an actual dilution standard prevents an upstart company from seeking a declaratory judgment that its junior mark will not dilute a senior mark, and thus causes the upstart to risk the loss of any investment in use of a junior mark that is later enjoined as dilutive.

The likelihood of dilution standard also has its pros and cons. While it is less supportable from a statutory interpretation perspective, it can clearly be inferred from

the current statute. A likelihood of dilution standard would seem more closely aligned with the purposes of the original dilution statute, both by more effectively preventing dilution and by creating a uniform national standard. Indeed, the twenty or more states that have their own dilution statutes have overwhelmingly adopted a likelihood of dilution standard.

However, a likelihood of dilution standard is not without its drawbacks. There is the question of whether such a standard goes too far, and in contravention of the rationale for trademark protection, would create a property right in gross in marks. Further, even those courts that have applied a likelihood of dilution standard have disagreed about the level of proof necessary to prove such a likelihood. Finally, there is a question about the effect such a standard will have on the longstanding principle of trademark law that similar or identical marks can coexist, often in the same markets or on similar products or services in different markets.

Once again, I look forward to hearing from our witnesses about the appropriate way to resolve the split in the circuits. I look forward to working with the Chairman to achieve that end.

I yield the balance of my time.



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February 21, 2002

The Honorable Howard Coble
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The Honorable Howard L. Berman
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Re: Oversight Hearing on The Federal Trademark Dilution Act

Mr. Chairman and Ranking Member Berman:

Thank you for this opportunity to present our views on the Federal Trademark Dilution Act (FTDA). Because amending the FTDA to impose liability for mere "likelihood of dilution" would prohibit trademark use that is protected by the First Amendment, we oppose the proposed bill.

Trademark law provides an important tool for preventing confusion or deceptive marketing, but trademark laws should not be used as a pretext to stifle criticism, parody or legitimate competition when there is no reasonable likelihood of confusion and no actual dilution caused by use of the trademark.

Background

Courts and commentators have long recognized that trademark liability implicates the First Amendment. "Because the trademark law regulates the use of words, pictures, and other symbols, it can conflict with values protected by the First Amendment. The grant to one person of the exclusive right to use a set of words or symbols in trade can collide with the free speech of others."¹ The *Restatement (Third) of Unfair Competition* noted in a comment that the "use of

¹ 1 Pat. L. Fundamentals §4.04 (2d ed.). Some commentators have opined that anti-dilution statutes are inherently antithetical to the First Amendment. See, e.g., Marla J. Kaplan, "Antidilution Statutes and the First Amendment," 21 *Southwestern University Law Review* 1139 (1992) (arguing that antidilution statutes violate the First Amendment because they prohibit commercial speech that does not mislead or deceive and because there is no substantial government interest to support them, also arguing that antidilution laws are not designed to protect the public, as was trademark law's historical purpose.)

another's trademark, not as a means of identifying the user's own goods or services, but as in incident of speech directed at the trademark owner, . . . raises serious free speech concerns."²

Noting the conflict between trademark law and free speech, the Fourth Circuit Court of Appeals stated in *CPC International, Inc. v. Skippy Incorporated*:³

It is important that trademarks not be "transformed from rights against unfair competition to rights to control language." . . . Such a transformation would diminish our ability to discuss the products or criticize the conduct of companies that may be of widespread public concern and importance. . . . Much useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark."⁴

The fact that the communication carries a commercial component should not automatically deprive the communication of First Amendment protection. In many cases, the commercial component is what makes the communication viable. "A social satire is no less effective or communicative if sold than if given away, and the costs of printing and distributing the message. . . can generally be recouped through sales of the item in question."⁵

Despite these concerns, Congress passed the FTDA in 1995 to provide protection from trademark dilution. "Dilution" is defined as the "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of -- (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception."⁶

There are two commonly recognized forms of dilution: blurring and tarnishment.⁷ "Blurring involves the gradual whittling away or dispersion of the identity and hold upon public mind of the mark or name by its use upon noncompeting goods."⁸ "Tarnishment results when one party uses another's mark in a manner that tarnishes or appropriates the goodwill and reputation associated with the mark."⁹

The FTDA provides, in part, that the owner of a famous mark is entitled to relief against another's commercial use in commerce of a mark, "if such use begins after the mark has become famous and causes dilution of the distinctive

² *Restatement (Third) of Unfair Competition* §25 cmt. i (1995). See, also, *ACLU v. Miller*, 977 F.Supp. 1228 (N.D. Ga. 1997) in which the court granted a preliminary injunction against a statute forbidding "any person . . . knowingly to transmit any data through a computer network . . . if such data uses any . . . trade name, registered trademark, logo, legal or official seal, or copyrighted symbol . . . which would falsely state or imply that such person . . . has permission or is legally authorized to use [it] for such purpose when such permission or authorization has not been obtained." The court found this provision overbroad, in that it prohibited speech protected by the First Amendment.

³ *CPC International, Inc. v. Skippy Incorporated*, 214 F.3d 456 (4th Cir. 2000).

⁴ *Id.* at 462

⁵ Michael A. Albert and Robert L. Bechline, Jr., "Trade Libel: Theory and Practice Under the Common Law, The Lanham Act, and the First Amendment," 89 *Trademark Rep.* 826, 883 (1999).

⁶ 15 U.S.C. 1127

⁷ *Westchester Media v. PRI, USA Holdings, Inc.*, 214 F.3d 658, fn. 12 (5th Cir. 2000)

⁸ *Id.*

⁹ *Id.*

quality of the mark.” [Emphasis added.] Because of the “causes dilution” language, the Fourth and Fifth Circuits have required there be actual proof of dilution.¹⁰ The First, Second, Sixth, and Seventh Circuits, however, adopted a “likelihood of dilution” standard, as they believed actual dilution would be impossible to prove.¹¹

The government interest in protection of trademarks arises when the use of a trademark diminishes its distinctiveness.¹² Trademarks are valuable as identifiers of the source of goods. “To the degree this effect is hindered, the public is harmed.”¹³ The use of a mark to identify the source of a product is central to dilution actions. Consider the example used in the original article in 1927 to justify dilution statutes, the example used during debates on the FTDA in 1995, and the example used during testimony before this committee on February 14, 2002: the use of the name Kodak on pianos.¹⁴ Where the use of a trademark leads to confusion as to the source of the product, the government may have a “substantial interest” in preventing dilution. After all, slapping the brand name “Kodak” on a piano has little expressive purpose and leads to consumer confusion.

Where, however, a trademark is used for parody, commentary, or criticism of a product or service, confusion is far less likely, and the government’s interest in protecting a trademark over free speech is minimal. As noted above, empowering trademark owners to quash criticism merely because it involves the use of a trademark transforms the trademark owner into a monitor of the spoken and written English language.

The idea that trademark owners would use the FTDA to stifle criticism is far from a fanciful notion. It is occurring now, particularly in the Second Circuit, which already interprets the FTDA to require only a “likelihood of dilution.” The proposed bill would amend the FTDA to conform with the First, Second, Sixth, and Seventh Circuits’ interpretation and overrule the Fourth and Fifth Circuits’ “actual dilution” requirement.

Instances of Using the FTDA to Stifle Criticism

To allow actions for “likelihood of dilution” would broaden dilution to permit injunctive relief against speech that is not confusing or deceptive and has not yet caused harm. Since dilution can occur either by blurring or tarnishment, this broadening would include the “likelihood of tarnishment.” Thus, under the “likelihood of dilution” standard, speech critical of a company could be enjoined, even if true, because it is likely to result in tarnishment.

An example of this comes from the Second Circuit, which already follows the “likelihood of dilution” standard. In *WWF v. Bozell*,¹⁵ the World Wrestling Federation (WWF) sued individuals for defamation and dilution of the WWF mark. The defendants had embarked on a public relations campaign claiming that the WWF was in part responsible for the deaths of several children killed by teenage wrestling fans who claimed to be mimicking WWF wrestling moves. The court held that the public relations campaign qualified as “commercial use in commerce” as required by section 43(c) of the Lanham Act because defendants attempted to raise money for their cause (“commercial use”)

¹⁰ *Ringling Brother-Barnum & Bailey Combines Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000).

¹¹ *I.P. Lund Trading ApS, Inc. v. Kohler Co.*, 163 F.3d 27 (1st Cir. 1998); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2^d Cir. 1999); *V Secret Catalogue Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001); *Eli Lilly & Co. v. Natural Answers Inc.*, 233 F.3d 456 (7th Cir. 2000).

¹² *Pearson, supra.*, note 5 at 1018.

¹³ *Id.*

¹⁴ *Pearson, supra.*, note 5 at 1019.

¹⁵ *WWF v. Bozell*, 142 F.Supp.2d 514 (SDNY 2001).

